

JPRS-CAR-90-020  
14 MARCH 1990



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# ***JPRS Report***

**China**

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# China

JPRS-CAR-90-020

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14 MARCH 1990

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## GENERAL

### View of 1990's Competition in World With Two Systems

40050016A Chongqing GAIGE [REFORM] in Chinese  
No 1, 20 Jan 90 pp 37-43

[By Peng Naidian (1756 0035 1648) and You Wen (0147 2429): "The Challenge of Competition in Global Reform"]

#### [Excerpt] The Challenge of Competition in "One World With Two Systems"

The major readjustment and reform in overall international relations begun in the 1980's will be intensified and further developed during the 1990's. It should be clearly noted that there is only one objective to the readjustments and reforms and that is to strengthen the ability to compete. One of the focuses of competition in the 1990's will be the intensified contest between "two systems in one world." This is one of the most important driving forces behind the development of human history.

#### 1. The Objective Existence of "One World, Two Systems"

Even though there are still a small number of feudal kingdoms in the 20th century, they no longer exert much influence on man's contemporary life. Thus, with the proclamation of the birth 70 years ago of the Union of Soviet Socialist Republics led by Lenin, the socialist and capitalist systems began their mutual existence on the same celestial body. After the victory in the anti-Fascist war in World War II, more than 10 countries successively joined the ranks of the socialist system. The socialist system's influence in the world greatly increased after that.

Because of the fundamental antagonism between the socialist and capitalist systems, the conflict and struggle between capitalist and socialist countries has flared on and off for the past several decades. In particular, some imperialist and capitalist countries never ceased to carry out corrosive penetration of socialist countries by means of military invasion and intervention and by implementing "peaceful evolution." To be sure, both sides have engaged in substantial political, economic, and other types of cooperation. The relationship between socialist and capitalist countries has always been complicated. Although a strong wind of detente and dialogue blew through the world in the 1980's, some OECD countries, led by the United States, still openly advocated using "peaceful evolution" to change the socialist system implemented in some countries. For example, using support for reform as an excuse, they supported the bourgeois liberal "democratic movements" of "opposition parties" in some socialist countries. They demanded that socialist countries carrying out economic reform implement a capitalist market economic system, among

other things, and strove to steer the reform in socialist countries onto the capitalist road.

#### 2. The Peaceful Coexistence of Two Systems

The black clouds of confrontation and cold war that shrouded the world for a long period after the war gradually dispersed during the 1980's, while the sunlight of peace, development, and cooperation now shines on yet more corners of the earth. The principle of peaceful coexistence has gradually won widespread acceptance throughout the world. During the 1990's, a new page will be opened in the story of coexistence and mutual struggle in "one world with two systems."

Of course, although the 1990's will see extensive development in peaceful coexistence in "one world with two systems," this by no means signifies that there will not be local, brief, and sometimes even relatively sharp intense conflict. This is because the various forces in the world are continuously undergoing new changes. When the forces of peace, development, and cooperation have the upper hand, there will be a correspondingly greater probability that the expansionist forces of imperialism and capitalism will gain relatively strong influence. Thus, complete peaceful coexistence will be impossible; there must be solidarity and struggle on the part of all progressive forces in the world if peaceful coexistence is to be maintained and developed.

#### 3. Economic and Technological Competition Lies at the Heart of Peaceful Coexistence of the Two Systems

The reason the newborn socialist system could peacefully coexist with the 400-year-old capitalist system which can be called ancient, is that, in addition to the historic imperative of its development, socialist countries today already possess considerable economic, scientific, and technological strength. The socialist system's strength cannot be obliterated or overlooked by any nation or group.

However, the challenge of massive global competition in the 1990's is equally severe for both socialist and capitalist system alike. The leading role in mankind's competition in the 1990's will be played by economics, science, and technology. This enormous struggle will affect the future and fate of both socialism and capitalism in the 21st century. Each system will anxiously tap its enormous potential, give full play to its respective advantages, and concentrate its strength in order to develop its economy, science, and technology. In the trend in which both systems are undergoing major reform and development, the socialist system should, and indeed it is highly probable that it will, make great new contributions to mankind in the massive competition of the 1990's.

**Assessment of 'Accelerating' European Integration**

90ON0382A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 2, 16 Jan 90 pp 2-3

[Article by Li Shuxun (2621 2885 8113): "Progress and Impact of European Unification, Viewed in Connection With the Two Summit Conferences of the European Community"]

[Text] The dramatic changes in Eastern Europe have given the European Community further impetus to move toward a "super-Europe." The EC has made every effort to exclude the United States and the Soviet Union, but the United States and the Soviet Union will not willingly give up this important strategic region. For this reason, a new trial of strength and new contentions are unfolding between Europe, the United States, and the Soviet Union and also between Eastern and Western Europe.

In the short period of three weeks, the EC has held two consecutive summit meetings, which is unique in all its history, and even more extraordinary is the convening of a special meeting of its heads for the particular discussion of the East European situation. The results of these two meetings indicate that the EC intends to draw on its economic strength, which is increasing almost daily, to take on "responsibility" for the rejuvenation of Europe, and that it has already started to pose as the nucleus of European integration, demanding to be one pole in the multipolar world, and also to achieve equal standing with the superpowers.

**Independence and Autonomy, Acceleration of European Integration**

On 18 November 1989, the heads of the EC's 12 member nations held a special summit meeting at the Elysee Palace, invited by EC's executive president, French President Francois Mitterrand. They discussed the GDR's opening of its borders and developments in Eastern Europe. They also reached a conclusion in principle on unified measures of "assistance" to Eastern Europe. An authoritative French personality said that the purpose of calling this emergency meeting was to satisfy the demands and hopes of the other EC member nations, but also to stay away from the major divisive subject of the forthcoming Strasbourg summit, namely the political decision on the economic and monetary union [EMU]. However, observers have pointed out that the significance of having the present meeting precede the Malta meeting of the heads of the two superpowers is to demonstrate that the dominant voice in European affairs must be that of the European peoples themselves, and not that of the superpowers. In the words of former French President Giscard d'Estaing: "If the very first analysis of the affair (of opening the Berlin wall) would be done by the Americans and Soviets, and not by Europeans, it would be found unacceptable." French Prime Minister Michel Rocard disclosed before the meeting that the question is not only "assistance," but to prepare a demonstration of (EC) solidarity, to render

EC into a solid "axis," so as to have "the Eastern countries organize themselves within this orbit. Mitterrand indicated that he will not inform the United States and Soviet Union of the proceedings of the present meeting and added significantly, "We would rather do things ourselves."

Subsequently, on 8 and 9 December 1989, the heads of the 12 countries held the 42d regular meeting of the European Council at Strasbourg, France. That meeting disregarded the opposition of British Prime Minister Thatcher, and by a vote of the other 11 countries passed a resolution to hold an intergovernmental meeting before the end of December 1990 on establishing a monetary union, to promptly follow on the first stage of the currency integration plan, which will start 1 July 1990, and to continue the work by formulating a new treaty which will, it is anticipated, take effect in January 1993. The meeting furthermore deliberated and passed a "Social Charter," which has the purpose of guaranteeing the fundamental rights of laborers after establishment of the large European market. The meeting also reached other agreements, including demanding conclusion of treaties by the end of 1990 on the right of asylum, and on transit over the borders of the EC and visa requirements; demanding to reach a comprehensive agreement in 1990 between the EC and the European Free Trade Association, to expand and deepen cooperation among the 18 countries of the "European Economic Zone," and to speed up economic and trade agreements with the GDR.

"Long-lasting heated arguments" occurred at the meeting on the question of German unification, and Italy, the Netherlands, and Belgium demanded clarification of its implications. West German Chancellor Kohl guaranteed that German unification is confined within the borders of the two Germanys, that there is no intention of changing the Oder-Neisse border between Germany and Poland, and that no territorial demands will be made. Even so, the participating countries, while supporting the "right to self-determination" and to reunification of the German people, added to their statement on Central and Eastern Europe a series of restrictive conditions, such as the demand that Germany "in the process of its unification observe (international) agreements and treaties and the principles of the Helsinki Final Act, that it proceed democratically and peacefully in mutual East-West dialogue and cooperation, emphasizing that reunification "must take place within the prospectus of European integration." This indicates that the West European countries are extremely concerned that Germany, in the process of its unification, will break away from integration, and it also indicates that these countries do not want unification to result in the rise of a powerful Germany that will occupy a dominating position in Europe.

The final statement passed by the conference emphasized that "strengthening the EC and accelerating progress toward a European union conforms to the interests of all European countries." The statement says the European Council has noted that the EC exercises

"an attraction for many countries," and that the EC "must satisfy these demands and aspirations." Mitterrand furthermore acknowledged that "a great step has been taken toward European integration" as a result of this meeting.

#### **A Multilevel Integrated Structure**

While the position of the two superpowers is growing relatively weaker, the EC is growing continuously stronger. The dramatic changes that have occurred in Eastern Europe have awakened greater ambitions in the EC. It demands surmounting the East-West division in Europe created in the postwar Yalta setup (the tearing down of the Berlin wall is seen as of symbolic significance) and it demands establishing a multilevel integrated structure, with the EC at the core and embracing all of Europe.

During the last few months, Western media have published many commentaries and forecasts regarding EC's strategic intentions and role. They believe that "Europe is in the process of discarding the postwar heritage of division" and may now possibly be on the road toward becoming a "super-Europe." The 12-nation EC is indeed now "progressing rapidly toward becoming a potentially large political power," "reflecting the resurrection of the political aspirations among West European countries and the end of the dominant position that the United States had occupied since the end of the war." "Europe's stability will rely much more than in the past on the EC." "Only the EC will be able to become another political center for all European countries, because the United States and the Soviet Union will inevitably withdraw their military forces from these areas, with a corresponding decline in their influences." West European politicians have expounded on different occasions the multilevel structure of European integration. The Belgian foreign minister, Eyskens, once suggested forming a "European Federation," with the EC as its nucleus. "In this federation, the 12-nation EC shall be the nucleus of the entity." "The countries of the European Free Trade Association may join the European Federation, and the East European countries too may join." The British *ECONOMIST* once disclosed that the president of the European Communities Commission, Delors, had "the idea of concentric circles." The inner circle is to be the member-nations of EC who are determined to promote integration, the second circle the other member-nations who don't have this desire, the third circle the countries of the European Free Trade Association, and the fourth circle the associated countries. The deputy president of the European Commission, Martin Bangemann, a German, believed that opening up the EC would have no adverse effect on joint progress, and that it would be absolutely possible to continue the development of integration without shutting out nonmember countries. Mitterrand, however, emphasized that the EC is now and will continue to be "the one and only pole of attraction." He believed that the relationship between the EC and Eastern Europe is the foundation for the development of the European Continent, that the EC by an "energetic

push" into Eastern Europe could become indisputably a "great country of the world." In view of all these facts, the strategic objectives and the framework of European integration in Western Europe have already become clearly manifest. The different levels of this multilevel structure will be as follows:

First, the EC will become in Europe the single-pole nucleus and innermost circle in a multipolar world. For this purpose, the EC will finally have to achieve monetary union, political federation, and unity in defense affairs (De Gaulle's so-called "European pillar" of the Atlantic Alliance). By consolidating the alliance and firmly anchoring West Germany in the alliance, the EC will prevent the two Germanys, after their unification, from dissociating themselves from European integration, while Great Britain, because it does not want to progress toward monetary unity and political federation, may possibly drop out from the nucleus and go down to the second level.

The second level will be the "European Economic Zone," organized by the 12-nation EC with the six-nation Free Trade Association. At the very high level of integration of the future, this will be the world's largest trade group (its two-way trade in 1988 amounted to \$220 billion, exceeding the trade figures of the EC with the United States and Japan). Its objective is to establish, by the year 1993, an internal market with free circulation of commodities, personnel, labor, and capital, and, furthermore, to expand mutual cooperation also to the areas of scientific research, environmental protection, education, and social security. Both sides have already agreed to start, in early 1990, official negotiations for a treaty, also to decide on procedures for policy decisions and the setting up of a common organization, to ensure the realization of a treaty on the "European Economic Zone."

The third level comprises countries associated with EC, namely the remaining West European countries and all countries of Eastern Europe. The main point here is to have the countries of Eastern Europe attain associated-country status by speeding up economic and trade relations with them, and to have them join the EC whenever future conditions mature to that point. At present, Hungary, Poland, and Yugoslavia have already applied for membership, but the EC has indicated that it will not accept new members before 1992. However, exceptional consideration might be given to the GDR, should it apply.

#### **"New Europe's" Strategy With Diversity of Objectives**

The strategic concept of European integration is a "New Europe" model, which the peoples of Europe are hoping for. The model does not include the nearby Soviet Union in the integrated structure, because the Soviet Union "will continue to be a (super) large country," but recognizes that the Soviet Union "would objectively present strategic, geopolitical, and historical benefits." At the same time, the United States, far away beyond the ocean,



will also not be a part of European integration, but will be a competitive and cooperative traditional partner (the United States has important interests in Europe, one-quarter of its export commodities go to Western Europe, and two-fifth of its direct overseas investments are in Western Europe). In his statement following the meeting of the heads of state, Mitterrand spoke without reservation with regard to the Yalta setup, pointing out, "It had split Europe apart and established rule by two countries; we must shake off this kind of rule." It makes quite clear that Europe will in future not allow the two superpowers to continue their dominating position in the new European model. In East-West European relations, it is the EC that will play the leading role. However, the two superpowers have their own strategic considerations and their own blueprints for a "New Europe."

The concept of Gorbachev, the Soviet Union's leader, of the "common European house" is as follows: He demands that, according to its historical, geographic, and cultural traditions, Europe become one European entity, from the Atlantic to the Urals, eliminating the East-West split and bridging different ideologies and social systems. On his visit to West Germany in June 1989, Gorbachev hinted that the Berlin wall is "the last symbol of the cold war," and that some day it will be pulled down. Foreign Minister Shevardnadze also expressed the opinion that the various changes in Eastern Europe are an organic part of the "common European house." The Soviet Union recently suggested the withdrawal of all troops from foreign soil, also demanded the dissolution of the two large military blocs, the objective being to compel the United States to withdraw from Europe, sever relations between Europe and the United States, and weaken U.S. influence. The Soviet Union acknowledges the interests of the United States in Europe and agrees to a U.S. role within the framework of the European Security Conference. On his visit to France, Gorbachev said that U.S. and Soviet "participation in Europe's progress is a matter of course, and is, furthermore, determined by history." Indications are that certain coordinative arrangements and tacit agreements were reached on European problems at the Malta summit meeting. Be that as it may, the Soviet Union ultimately wishes not to see the Americans "as presumptuous guests usurping the host's role," but rather hope to play themselves the most influential role in Europe.

U.S. President Bush advocates a "beyond containment" strategy and proclaims that he wishes to establish a "complete and free Europe, having the countries of Eastern Europe 'move toward effective freedom, democracy, and a market economy system.'" In the East European countries he wanted to actively promote "peaceful transformations," and have them join the Western system. Recently, U.S. Secretary of State Baker, in a speech in West Berlin, set forth the strategic concept of an "Atlantic doctrine" for New Europe, suggesting that NATO assume a new political role, and asked for a strengthening of the close relationship between the

United States and the EC by signing a new treaty, which would allow the United States to have an official position in all agencies of the EC. As a result, and following "expansion of mutual cooperation" between the United States and the EC, including cooperation with Eastern Europe, "a New Europe shall be created on the foundation of the new Atlantic doctrine." This is a declaration in which the United States recognizes the EC position as that of an equal partner, and in which the United States tries tenaciously to maintain its political leading role in a future Europe. Western Europe has not yet reacted officially to this statement, but the French people have already, mildly and in a roundabout way, rejected the formulation of a new political role for NATO. They believe that, in the process of building a new order in Europe, one must not mix up the role of NATO with that of the EC. The role of NATO is merely that of guaranteeing a peaceful atmosphere for the continued transformations in Eastern Europe.

As the situation appears now, new tests of strength and new contentions about the strategic blueprint for the future Europe, are about to unfold under the impact of intricate and complex contradictions between Europe, the United States, and the Soviet Union, also between Eastern and Western Europe, while the EC, which is now in the process of gaining increased significance, appears even more secure in the knowledge of being backed by strong forces. Be that as it may, Europe's transformation and its final outcome will involve and affect the whole world.

#### 'Limited' Progress Seen in U.S.-Soviet Arms Control

OW2702154590 Beijing XINHUA in English  
1508 GMT 27 Feb 90

[Text] Geneva, February 27 (XINHUA)—While the United States and the Soviet Union have made some headway in arms control negotiations over the past few years, the progress they have made is preliminary and limited, the Chinese foreign minister said here on Tuesday.

Foreign Minister Qian Qichen also said that the two superpowers still have a long way to go as far as disarmament is concerned and that there are numerous obstacles and difficulties on the way ahead.

Mr. Qian, in his address to the United Nations Conference on Disarmament, praised the conclusion of the U.S.-Soviet treaty on the total destruction of their intermediate and shorter-range missiles.

But he pointed out the fact that even if the United States and the Soviet Union were to reach an agreement on the reduction of strategic nuclear arsenals by half, they would still possess over 90 percent of the total nuclear weapons in the world, more than enough to destroy the entire mankind several times over.

The Chinese foreign minister also noted that the U.S.-Soviet arms talks focused mainly on the aspect of quantity but evaded that of quality.

"The arms race between the two countries has not come to a genuine halt, but has turned more to the qualitative aspect," he said. For example, he said, a new generation of intercontinental ballistic missiles, sea-launched ballistic missiles, strategic bombers and cruise missiles with better accuracy, penetration and mobility, has joined the already enormous strategic nuclear arsenals of the two superpowers.

"The two superpowers that possess the largest arsenals bear a special responsibility for disarmament," he concluded, adding: "They should not only slash the number of their armaments, but also completely stop their qualitative arm race."

## UNITED STATES

### U.S. Rejection of Massive Japanese Military Buildup Noted

OW2502135990 Beijing XINHUA in English  
1548 GMT 23 Feb 90

[Text] Tokyo, February 23 (XINHUA)—Visiting U.S. Defense Secretary Dick Cheney today called large-scale military buildup by Japan unnecessary and possibly destabilizing for regional security.

Speaking at a press conference, Cheney, who arrived Tuesday on a five-day visit, said efforts to modernize the Defense Forces were welcome but dismissed U.S. congressional calls for a huge boost in Japan's military budget.

Increasing defense spending to 3 percent of Japan's gross national product (GNP), as Congress called for last year, would be destabilizing in addition to creating domestic political problems in Japan, Cheney said.

He said he did not think massive rearmament is required or appropriate, but added that he supported efforts to improve the overall capabilities of Japan's Self-Defense Forces.

U.S. demands in the mid-80's for a buildup of Japanese forces contributed to the rearmament measures outlined in Japan's 1985-1990 mid-term defense program. That program propelled the country's military spending over the 4 trillion yen mark for fiscal 1990.

In a series of meetings Thursday, Japanese leaders responded positively to U.S. requests for additional financial supports for the 50,000 U.S. forces stationed in Japan but did not mention any figures.

Japan now contributes some 40 percent of the total 6-billion-dollar annual cost for the U.S. forces here.

Cheney also said that further Japanese contributions in official development assistance could contribute to security in the region.

### 'Missing' KGB Agent Reported in U.S.

OW0303021290 Beijing XINHUA in English  
0123 GMT 3 Mar 90

[Text] Washington, March 2 (XINHUA)—A Soviet KGB officer, Victor Ivanovitch Sheymov, has appeared public in Washington after being found missing mysteriously a decade ago in Moscow.

Sheymov, 43, who was a major responsible for the KGB's cypher, decoding and communications-intercept systems, told a press conference at the National Press Club today that he fled with his family to the U.S. on May 15, 1979, under a CIA arrangement.

He said that the Soviet Union in the late 1970s had two sources inside the State Department capable of providing information on U.S. policy and negotiating positions.

He said that the information from the sources included "policy matters, positions on negotiations, outlines of arms control positions—not only arms control, some other matters as well."

Pressed for specifics, he replied that "I am not going to discuss departmental details".

Sheymov has been living under the name of Victor Orlov in the U.S. for the past ten years. It is not clear why the authorities here have allowed him to appear in public. He is expected to meet with foreign journalists stationed here later today. He also gave an interview with THE WASHINGTON POST. The story was published in the edition of the newspaper today.

Sheymov said that the Soviet spy agency was bent on assassinating Pope John Paul when its chief, Yuri Andropov, late general secretary of the communist party, sent a cable directing agents in Poland to "obtain all the information possible on how to get physically close to the pope."

In KGB slang it was clearly indicated that there was only one reason to get close to a person and that was to assassinate him, kill him, he said.

An attempt on the pontiff's life by a Turkish gunman occurred in 1981, but no connection to Moscow was ever firmly established.

In his interview with THE WASHINGTON POST, he told another astonishing story, that is, the KGB once discussed whether to break the legs of ballet dancer Rudolf Nureyev, who made anti-communist statements after he fled the Soviet Union in 1961.

The former KGB officer said that 18 months ago he wrote an opinion article published in THE WASHINGTON POST under the pen name of Victor Orlov and has written a book on his experience yet to be published.

He refused to answer how much the CIA had paid him. He became an American citizen in 1985.

## SOVIET UNION

### CPSU Appeal for Social Stability Reported

OW2502135090 Beijing XINHUA in English  
0213 GMT 23 Feb 90

[Text] Moscow, February 22 (XINHUA)—The Soviet Communist Party Central Committee today appealed to the people to protect law and order and the principles of democracy in the present difficult domestic situation.

People should rebuff those who provoked conflicts, ethnic strife and enmity, and who created chaos and instability in society, the party Central Committee urged.

The appeal released by the official Soviet news agency, TASS, said it would be possible to pull the country out of the present difficult situation "only given responsibility, common sense, legality, discipline, democracy, and honest labour."

The appeal was issued as some informal organisations have called for rallies and demonstrations in Moscow, Leningrad, and other cities on February 25 to put pressure on the Soviet leadership. The Kremlin is concerned that demonstrations might lead to serious conflicts and unrest.

The appeal reiterated a Supreme Soviet (parliament) statement that any meeting had to be approved by the authorities and Soviet laws be strictly observed.

The party Central Committee stressed that "law enforcement bodies should strictly maintain law and order, resolutely stop any anticonstitutional actions, and protect the people."

### Soviet Emphasis on Need for Military Strength Noted

OW2502140390 Beijing XINHUA in English  
1305 GMT 23 Feb 90

[Text] Moscow, February 23 (XINHUA)—Soviet Army leaders stressed the need today to enhance Soviet military strength, speaking to mark the Soviet Union's Army and Navy day.

The 72nd anniversary of the foundation of the Soviet military forces, which falls today, is the leading topic in the country's newspapers.

In an interview with PRAVDA, Defense Minister Dmitry Yazov said that "the military threat still exists."

He said: "The Soviet Union is working towards ridding Europe of military pacts and the simultaneous disbanding of both alliances—the Warsaw Treaty Organization and NATO."

Military reforms now underway in the Soviet Union are based on the military-political situation in the world, he said, adding that they are designed to streamline the Armed Forces—their organization, armament and training programs.

Pyotr Lushev, first deputy defense minister and commander-in-chief of the joint Armed Forces of the Warsaw Treaty member-states, told KRASNAYA ZVEZDA (RED STAR) that NATO leaders have not abandoned the concept of the "cold war."

Lushev said recent "changes" in some Warsaw Treaty member countries may influence the combat effectiveness of the military pact. So the Soviet Union must enhance its own military strength, he said.

Lushev also said the Soviet Union might take further disarmament steps and cut military expenditures but will never do the same unilaterally as it did in 1989-1990.

### Anticommunist Rallies Following Multiparty Proposal Noted

OW2602150990 Beijing XINHUA in English  
1431 GMT 26 Feb 90

[Text] Moscow, February 26 (XINHUA)—Rallies and demonstrations held by hundreds of thousands of people in Moscow Sunday reflected the present tense and complicated situation in the Soviet Union.

The rallies and demonstrations were organized by the "Transregional Parliamentary Group," the "Democratic Program" of the Soviet Communist Party, the "Club of Electors" and other informal organisations.

The activities took place after the Soviet Communist Party Central Committee put forward its new platform for a multiparty system earlier this month and prior to Russian Federation's parliamentary election scheduled for March 4.

Anticommunist and antisocialist slogans, as well as other slogans, including those against the current Soviet leadership, were seen and heard in the activities.

Although Soviet authorities had approved the above-mentioned organisations' request for holding the activities, strict measures were taken in the city Sunday to prevent conflicts. Law enforcement agencies made efforts to ensure the public order. According to the official news agency TASS, the rallies and demonstrations took place "in a calm atmosphere, without excesses."



Similar meetings and demonstrations were held in many other cities Sunday.

### **Soviet Criticism of U.S. 'Open Skies' Stand Reported**

OW0503131690 Beijing XINHUA in English  
0851 GMT 4 Mar 90

[Text] Moscow, March 4 (XINHUA)—Soviet Deputy Foreign Minister Viktor Karpov criticized the United States today for attempting to gather information through plane flights over other countries.

In an article in PRAVDA, Karpov, head of the Soviet delegation to the recent Ottawa "Open Skies" Conference, said "openness" and "equality" should be real.

At the February 12-28 meeting, foreign ministers from 23 NATO and Warsaw Pact countries failed to resolve almost all major differences over a treaty which would allow them to conduct intrusive surveillance flights over each other's territories.

Karpov criticized the United States for trying to use its technological advantages to gather information. And the United States does not want to share information gathered from flights, he added.

### **Crime Increases in Soviet Army, Society Noted**

OW0403225890 Beijing XINHUA in English  
0151 GMT 3 Mar 90

[Text] Moscow, March 2 (XINHUA)—Crime in the Soviet Armed Forces increased 14.5 percent last year, the chief Soviet military procurator announced today.

Procurator Aleksandr Katusev, who is also deputy procurator general of the Soviet Union, told KOMSOMOLSKAYA PRAVDA that overall crime in Soviet society has an impact on the army.

He said almost 60,000 people who have been called for military duty were rejected because of their past criminal record. And 50,000 people tried for minor offenses have been called to serve not only in construction troops but in front line units, too, he added.

Many people are unwilling to serve in the army, Katusev said, and about 6,500 recruits have failed to report for duty after being called up.

On possible changes in the army, Katusev said the chief military procurator's office has submitted proposals to amend the military service laws to reduce the term of service to 18 months and to call up recruits once a year.

## **NORTHEAST ASIA**

### **Japan's Political, Economic Trends in the 1990's**

90ON0287A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 23, 1 Dec 89 pp 19-20

[Article by Qian Jiannan (6929 1696 0589): "How Japan Will Enter the 1990's"]

[Text] All through the 1980's, Japan planned on becoming one of the great countries of the world, and in the 1990's a psychological confrontation will occur between Japan and the United States in their struggle for economic hegemony, as Japan will try to use its huge capital resources for a more intensive penetration of the Third World. Japan is still fearful of the threat from the Soviet Union. In Japan's domestic politics, an element of uncertainty has now been introduced by the serious challenge to the position of the Liberal Democratic Party [LDP].

After relaxation has set in between East and West, more and more Americans believe that the image of the Soviet Union as the enemy of the United States is fading, or even vanishing. These same Americans are now more concerned about Japan rapidly becoming a potential opponent of the United States. It is for this reason that the way in which Japan will make its entry into the 1990's is attracting everyone's special attention.

### **The Legacy of the 1980's**

In postwar development, Japan experienced in the 1950's, the so-called "postwar restoration period" and "period of rejoining the international community;" in the 1960's, a "period of high-speed growth"; and in the 1970's a "period of coping with assaults from external forces" and a "multipolar era of explorations." As for the 1980's, many scholars of Japanese affairs have called it Japan's period of "change" and a "turning point." What is crucial here is to understand the intrinsic meaning of the "change" and "turning point."

Zenko Suzuki, Japan's prime minister who came into office at the beginning of the 1980's, spoke of the period during which he held office as the start of Japan's "third journey into a remote distance." According to his idea, the 1980's were the third such journey, following the Meiji Restoration as the "first journey into a remote distance," and the 30-odd postwar years as the "second journey into the remote distance." During the present journey, Japan was to advance to "an era of enlightened opening up." The whole world followed with great interest the way Japan changed its image from that of a vanquished nation to that of one of the great countries of the world. Suzuki's predecessor, Masayoshi Ohira, once pointed out that it is necessary to reevaluate Japan's innate culture and to seek anew a spiritual source for Japan's future development. The world is in the course of changing from a "purely U.S.-ruled order" to an "order of responsibilities borne severally." During the

Nakasone era, Japan's grand ambition to join the community of great countries of the world became even more distinct and more ostentatious. Yasuhiro Nakasone emphasized that Japan intends to become a "state with international status," wants to "strengthen its right to be heard in world politics, that it must not only carry greater weight as a great economic power, but that it must increase its weight as a mighty political power." He also believed that Japan has reached the point of "finally ending the postwar era" and "must advance in the direction of becoming a country with international status, a country in which the world can place its trust." Although Nakasone's successor, Noboru Takeshita, was not as aggressive as his predecessor, he too unswervingly pursued Japan's overall aspiration. He emphasized even in stronger terms Japan's international standing and role, in his conviction that Japan is "one of the major countries maintaining international order," and that Japan "must contribute more actively to world peace and prosperity." The meaning of what was earlier mentioned as Japan's "change" and "turning point" in the 1980's may be summarized as follows: 1) In the 1980's, Japan entered a period of profound historical change not experienced since the Meiji Restoration. It signaled the end of its preparatory efforts to catch up with Europe and the United States and the beginning of a new historical era. 2) The core of the "turning point" in Japan in the 1980's was its final farewell to the "postwar period," and its efforts to free itself from the past image of a "crippled country," "a country of merchants," and a "vanquished country," to become a "country with international status" and with a harmonious unity in its own economy, politics, and culture. 3) In its basic direction, Japan's strategy turned in the 1980's from that of a "passive beneficiary" of the postwar international order into an "active creator" of the new international order.

Japan's international status has indeed undergone major changes in the 1980's, as evidenced by the following basic figures:

The proportion of Japan's GNP in the total product value of the world rose from 9 percent in 1980 to about 14 percent now. Its GNP exceeds that of the Soviet Union and approximates that of West Germany, Great Britain, and France together, is second only to the United States (about 60 percent of that of the United States), and makes Japan the second economic superpower of the world. In 1980, Japan still had a deficit of \$10.7 billion in its international balance of payments, but by the end of the 1980's it had the world's largest credits in its international balance of payments and had become the world's biggest creditor country. At the end of 1987, its net assets overseas amounted to \$24 billion. At present, Japan has the largest foreign exchange reserve in the world; its total had increased from \$25.7 billion in 1980 to \$84.1 billion in January 1988. In the 1980's, Japan's direct overseas investments increased at an average annual rate of over 20 percent. Today, Japan is the world's third-largest direct investor, lagging behind only the United States and Great Britain in direct

foreign investments. In the 1980's, Japan also gained the distinction of being the world's largest foreign aid country. The amount the government made available for foreign aid (ODA [Official Development Assistance]) has increased from \$3.3 billion in 1980 to \$10 billion in 1989 (U.S. foreign aid is \$9.5 billion). At the same time, Japan's military expenditures increased from 2,230.2 billion yen in 1980 to 3,919.8 billion yen in 1989, more than \$30 billion at the rate of 130 yen per U.S. dollar. This amount is about equal to the military expenditure of Great Britain, France, and West Germany. Computed by the NATO method, Japan's military expenditure may even exceed \$40 billion, and observers believe that it is not unfounded to speak of Japan as the country with the third-largest military expenditure.

### The Direction for the 1990's

Looking forward into the 1990's, Japan will not stop its advance toward great-country status in the world, and observers have noted new moves in the following directions:

1. Prospects of the international political atmosphere in relation to Japan's diplomatic defense policies. Ten years ago, when the curtain rose on the 1980's, the world was moving from relaxation to a new cold war. However, a new situation, a shift from cold to warm, occurred in December 1987, when the United States and the Soviet Union reached agreement on the elimination of medium-range missiles. The Japanese *Blue Book on Foreign Affairs*, published in September of this year (1989), for the first time publicly acknowledges that "the international community is undergoing a major transformation," and "a situation of mutual dialogue between East and West, mainly between the United States and the Soviet Union, has become firmly established. This indicates that the overall world situation, formerly characterized by antagonism, is undergoing a change." However, we must also not forget that there are some very conservative sides in the analysis of the overall situation by Japanese decisionmakers. The Japanese *White Paper on Defense*, published almost at the same time as the *Blue Book on Foreign Affairs*, states that "the future of reforms in the Soviet Union are difficult to forecast," and that the Far Eastern Army of the Soviet Union remains a "potential threat" to Japan and constitutes "a major element of tension in said area." It also expresses the opinion that "it is necessary to soberly observe the Soviet Union's adjustment of its expansionist policy." Up to now, Japanese decisionmakers have always maintained this view, and they still believe that the Soviet Union's turn from foreign expansionism to a "defensive doctrine in military affairs" in the 1980's is merely the result of the containment policy pursued on the foundation of strength by the Western powers. In the same way, the Soviet Union is not expected ever to abandon the concept of strength in the future pursuit of its "new thinking." It seems that Japan cannot immediately change its concept that "the Western world's security system must not be split apart," and it also appears likely that the Japanese diplomatic defense policy of "shared

responsibility," constructed against the Soviet threat, will not essentially change in the 1990's.

2. Prospects of the international economic order in relation to Japan's economic policy. In the 1980's, the economic order of the postwar world was in an even more precarious situation, most conspicuously indicated by the sharp decline of U.S. economic hegemony. The stock exchange crash of October 1987, the turbulence in the exchange rate of the U.S. dollar since 1987, and the rapidly growing protectionist trend in the United States, as evidenced by the draft of its "Comprehensive Trade Act," all indicate turbulence in the U.S. economy. Many people believe that the United States will not be able to wipe out its "double deficit" in the 1990's and escape its predicament of being the world's biggest debtor nation. The decline of U.S. hegemony provided an opportunity for the world's economic order and also posed new problems for the superpower Japan: a) The Japan-U.S. friction, which in the past concerned individual products, has today expanded to become a controversy involving the industrial structure of both countries. The controversy of the past, which was primarily a material controversy, has today expanded and become a psychological controversy over economic hegemony. This may result in a situation in the 1990's with many aspects that will be difficult to manage. This situation has become even more complex as relaxation in the military confrontation between East and West sets in, and will become an even more serious threat for the United States. b) In the 1990's, when the U.S. economy will show little growth and the entire world economy will be depressed, Japan will bear a heavy responsibility, namely to be one of the "horse carts" that will drag the world economy out of its quagmire. No longer will it be possible for Japan to pursue the doctrine of "minding only one's own country's prosperity," as it did during the first half of the 1980's, when all it cared about was exporting. Japan will have to further open its domestic market in the direction of adjustments in the "mainly internal requirement-oriented pattern" of its industrial structure started in the latter part of the 1980's. c) Since almost 40 percent of Japan's foreign trade is now with the United States, Japan will continue in the 1990's to pursue a "prominently U.S.-oriented" policy in trade and investments. However, with the development of a regionalizing trend in the world economy and with Japan's increasing ties to the "four little dragons of Asia" and the ASEAN countries, Japan's position and role not only as "provider" (capital, technologies) of economic vitality, but also as "absorber" of economic vitality (market), in the Asian-Pacific economic community will be much strengthened. d) Today, when the world is shifting from emphasis on commodity markets to emphasis on capital markets, Japan, with its regular annual surplus of over \$80 billion, must and can penetrate the Third World much more and on a much wider scale with the "reflux of capital," thereby strengthening Japan's economic position in the Third World.

3. Japan's political prospects and trends in its political power. The political situation in Japan was, on the whole, very stable during the 1980's, with the exception of some of the earlier years. That Nakasone held state power for five years in the middle of the 1980's and the great victories of the Liberal Democratic Party (LDP) in the upper and lower houses of the Diet in July 1986 reflect a "conservative resurgence" in Japan. However, at the very end of the 1980's, Japan's political stage experienced repeated disturbances. In 1989 the LDP reshuffled the cabinet three times, and, especially in the elections for the upper house in July of that year, the LDP lost its majority in the upper house, an event that was unparalleled in the constitutional history of Japan. Presently, the LDP is holding on to its remaining influence in the lower house to form the cabinet and keep ruling the country. However, the "inversion of ruling party and opposition party strength" in the composition of the upper house constitutes a partial collapse of the 34-year unified empire of the LDP, which had endured since 1955. The future focus of changes in the Japanese political situation will be on whether the unequal trial of strength—which has already started—between the ruling party and the opposition parties in the lower and upper houses of the Diet (power of the state is still in the hands of the LDP) will continue, or whether the political power of the LDP will collapse and a true coalition government will be formed. It appears that the next elections to the lower house will be extremely crucial. According to regulations, the tenure of office in the lower house will end in July 1990. However, the forces of the opposition, especially the Japanese Socialist Party (JSP), are preparing for the dissolution of the lower house ahead of time and for holding general elections, with the intention of passing in the lower house a bill for the abolition of the consumption tax law (the consumption tax law was forced through by the LDP in December 1988 and enforced from April 1989). The outcome, whether they will indeed have their will, will become clear sometime between the end of this year and the beginning of next year.

In the postwar years, the long one-party rule of the LDP had provided a sound political atmosphere for Japan's prosperity, but had also brought about various conditions showing "organizational fatigue." This has resulted in the Recruit incident, the forcible passing of the consumption tax law, and so forth. From out of its own strength the Japanese electorate is trying to infuse new vitality into the "exhausted organization," and this desire resulted not long ago in "inversion of ruling party and opposition party strength" in the composition of the upper house. It is not difficult to foresee that this will also become evident in the next general elections. However, the problem is complex in that, since the end of the war, there has never been a transfer of political power between political parties in Japan. The electorate is therefore doubtful whether the JSP and the other opposition parties are capable of ruling the country. Presently, the four opposition parties, the SPJ, the Komeito, the Democratic Socialist Party, and the



Socialist Democratic Party, with their slogan of "government of national union," are speedily putting together a policy outline for their coalition regime, but there are still great differences between them. Whether the coming general election will lead to continuation of LDP rule with a reduced majority, or whether the result will be a coalition with the LDP or the JSP as major party within the coalition, is still difficult to foresee. However, one thing is certain, namely that the strength of the LDP in the lower house will be weakened to some extent by the continued existence in the 1990's of the "inversion of ruling party and opposition party strength" in the composition of the upper house. The political power of the LDP cannot be as strong as it was in the 1980's. What effects this will have on Japan's overall aspirations to be one of the great countries of the world is also a question that deserves our serious attention.

## SOUTHEAST ASIA/PACIFIC

### Strategic Value of Asian-Pacific Region Rising

900N0282A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 24, 16 Dec 89 p 11

[Article by Chen Feng (7115 6912): "The Strategic Value of the Asian-Pacific Region Is Constantly Rising: The Most Important Task for Each Nation Is To Strive for Economic Development"]

[Text] I would like to discuss some views on developing trends in Asian-Pacific security.

There are various indications that the connection between Asian-Pacific security and global security is growing ever closer. Asian-Pacific security is becoming a more and more important component of global security, and development and change in the world's overall strategic situation is having a greater and greater impact.

In the past few years Asian-Pacific development has coincided perfectly with the relaxation of global tensions. Competition between nations is being transformed into a higher level of competition—primarily economic, scientific, and technological—for unified national strength. The pursuit of economic growth has become the primary issue of concern for most Asian-Pacific nations, as well as the dominant factor in Asian-Pacific development.

Given this situation, security issues in the Asian-Pacific region will continue to subside. Within this century regional conflicts in Cambodia and Afghanistan may be resolved, hot spots like the Korean peninsula will cool down, U.S.-Soviet military antagonism will ease somewhat, and relations between nations in this region will improve substantially. Consequently, there is very little likelihood that a major conflict will erupt or that any large-scale local war like the Vietnam war or the Korean war will occur. Nor is there much chance that we will see any full-scale wars of invasion by strong nations against weaker nations, as occurred when the Soviet Union

invaded Afghanistan or when Vietnam invaded Cambodia. A state of relative stability may emerge such as has never before been seen in the postwar period.

The aforementioned development of security in the Asian-Pacific region is also related to the environment, status, and specific features of that area. The most prominent features of the Asian-Pacific region are that among major nations the profitable traffic in foreign exchange and the varying strengths of the nations themselves condition each other. A case could be made that the Asian-Pacific region is the most conspicuous region in the multipolar global configuration. Several great nations—the United States, the Soviet Union, and Japan—are all trying hard to strengthen their own influence in the region. However, from a developmental perspective the influence of U.S. and Soviet superpowers is growing weaker, while Japanese influence is correspondingly increasing, so that the strength and influence of the great nations overall is balancing out. In addition, India, ASEAN, Australia, and even Vietnam will also strive to become influential regional powers, and even Europe hopes to wrest a foothold in the Asian-Pacific. In this complex multipolar configuration, the various powers act as checks on each other and no one major nation can control development in the region. It would be difficult for the major powers to resurrect spheres of influence here, and it would be virtually impossible for a military confrontation to develop between two rival blocs, as has occurred in Europe.

However, several fundamental conflicts will persist in the Asian-Pacific region. From a global perspective, the Asian-Pacific region will still be one of the world's relatively unstable areas. This is manifest in the following factors: U.S.-Soviet competition and military rivalry will continue to affect stability here. Japan, India, and other nations, seeking to attain the status of major political and military powers, will become new elements affecting stability in the region. The significant interests of many nations will not disappear just because relations improve somewhat—in particular, disputes over territory and territorial waters and contention over marine resources will continue to lie at the root of unrest in the Asian-Pacific region. Ideological and social factors will still have a significant impact on relations between nations. And domestic disturbances resulting from racial, religious, and social inequality in some nations will produce unsettling elements throughout the region.

The factors mentioned above will make it difficult to avoid future local upheavals in the Asian-Pacific region. We also cannot rule out the possibility that some countries will resort to force to resolve local military confrontations over conflicts of interest. At the same time, some current military confrontations between nations in the Asian-Pacific region will continue to one degree or another: U.S. and Soviet Asian-Pacific troop deployments concentrated in the northwestern Pacific will continue to be the most serious military confrontation in the area, and this bilateral struggle to lock up the region is unlikely to cease; the armed deployment on both sides

of the military demarcation line between North and South Korea remains one of the most concentrated military deployments in the Asian-Pacific and even in the world itself, and the military standoff between India and Pakistan in the South Asian region will persist. In addition, we cannot dismiss the possibility that new antagonisms and conflicts may arise between other countries.

Based on the foregoing analysis it is obvious that in the next 10 years there will be positive development in security in the Asian-Pacific region. This will help China to continue implementing its focal policy of economic construction, involving, on the domestic scene, administrative overhaul and intensified reforms, and, in foreign relations, opening to the outside world. However, around the periphery of the region disquieting elements will continue as before and some problems will remain relatively conspicuous, requiring us to maintain vigilance and adopt corresponding countermeasures.

#### **Jakarta Analysts Comment on Hun Sen's Position**

OW2802090190 Beijing XINHUA in English  
1610 GMT 27 Feb 90

[Text] Jakarta, February 27 (XINHUA)—Prime Minister Hun Sen of the Phnom Penh regime today refused to accept the proposal of setting up an interim administration in Cambodia and dissolving his regime.

Speaking at the second day session of the informal meeting on Cambodia here, Hun Sen said the key to a political solution of the Cambodia problem does not rest with the establishment of an interim administration and the dissolution of the two existing governments—The National Government of Cambodia led by Samdech Norodom Sihanouk and the Hun Sen's regime installed by about 200,000 Vietnamese troops 11 years ago.

Hun Sen only agreed to "general," free and fair elections conducted and supervised by the U.N., but not to U.N. supervision of Vietnamese troops withdrawal from Cambodia.

Analysts here said that Hun Sen and his Vietnamese boss want to maintain the Phnom Penh regime and to induce the international community to accept "the general elections" on the basis of the Phnom Penh regime's administration system in Cambodia. In this case, the general elections would not be free and fair, they added.

Hun Sen also repeated Vietnam's old allegations that the Vietnamese troop withdrawal has been completed and the key issue now is to prevent the Democratic Kampuchea (Khmer Rouge) from returning to power.

Observers here said that Hun Sen and Vietnam attempted to eliminate the Khmer Rouge, a strong resistance force against the invasion of foreign troops in Cambodia, by political and diplomatic means after their military offensives had failed totally.

They also said that Hun Sen has set up a major obstacle at the informal meeting, which the international community hoped could make progress in finding a comprehensive solution to Cambodia problem.

#### **Sihanouk's Claim of SRV Mercenaries in Cambodia Reported**

OW0303214290 Beijing XINHUA in English  
0639 GMT 1 Mar 90

[Text] Bangkok, March 1 (XINHUA)—About 10,000 Vietnamese regular troops have recently been sent to western Cambodia by air to reinforce the Vietnamese-Phnom Penh forces fighting the Cambodian resistance.

According to the office of the personal representative of Samdech Norodom Sihanouk in Cambodia and Asia here Wednesday, of these Vietnamese regular troops, 3,000 were sent to Battambang Province and another 3,000 to Siem Reap Province.

"These regular troops are the new backbone of the Hun Sen Army. They protect towns like Battambang and Siem Reap and are joined by Phnom Penh forces to attack the resistance in Svay Chek area and other parts of Cambodia," the office said.

The office said the Vietnamese have set up secret bases in Rattanakiri and Mondulakiri, which comprise three Army divisions in areas of Bako on Highway 9 leading to Pleiku in Vietnam.

The Phnom Penh regime has started recruiting Vietnamese mercenaries to fight the resistance, the office said. A recruitment center has been set up in Svay Rieng town southeast of Phnom Penh to recruit Vietnamese mercenaries, who are paid 150 U.S. dollars per month to fight the resistance.

#### **NEAR EAST/SOUTH ASIA**

##### **Analysis of Husayni Role in Israeli Peace Talks**

900N0288A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 23, 1 Dec 90 pp 12-13

[Article by Zhang Chunfeng (1728 2504 7364): "The Husayni Phenomenon Is Heating Up in Israel"]

[Text] Since the beginning of the year a Palestinian who has been arrested repeatedly by the Israeli authorities and who runs the risk of falling prey to extremist plots has been active in the various Israeli political parties. For a while he was a favorite in political circles and with the general public: there were those who praised him and sought repeatedly to meet with him, and there were those who reviled and threatened him. This man's name is Faysal al-Husayni. Right now the Israeli authorities are facing a dilemma: They regard him with mixed feelings, as is reflected in their treatment of him. They do not know how to cope with him, yet neither can they disregard him. This is what the press has called "the Husayni phenomenon."

In reality, the Husayni phenomenon reflects new changes that have cropped up for Israeli officials in the Middle East peace talks. According to reports, since Shamir deliberated and suggested that elections and autonomy be implemented in the occupied zone, Israeli authorities have been searching everywhere for prestigious local Palestinians to act as opponents in the negotiating process so that they can exclude the PLO. Now people are taking note that when Shmuel Goren—who is the minister of defense's special envoy to the occupied zone to coordinate government activities during troop withdrawal—visited the then-incarcerated Husayni, it was not long before Husayni was released. The press corps following these events immediately proclaimed that Husayni was the Israeli authorities' hand-picked representative in negotiations.

Israel's choice of Husayni can be explained by his illustrious clan background. During the Ottoman Empire and the British Mandate, the Husayni clan was always the most prosperous and influential of Jerusalem's distinguished families. During the last half of the 19th century they used methods of noncooperation to resist rulers from other clans. The clan claimed to represent the Muslim cause and advocated Arab solidarity. It organized the Palestine Arab Party and united with other Arab organizations to initiate the struggle to oppose foreign rule. Husayni's father, Qadir al-Husayni was a legendary figure, a hero of the Palestinian cause. He died a hero's death in battle with the Jews, upon which the Arabs of Jerusalem poured out of the city, bearing his casket, to bury him.

Growing up, Faysal al-Husayni was nurtured on his father's unfulfilled last wishes. He lives in East Jerusalem and is the director of the Arab Institute there. In 1983 Husayni used quick-witted argument and reasoning to force authorities to permit him to transfer his mother's remains from London for burial in her native land. Faysal al-Husayni is also an activist for Palestinian causes, as a consequence of which he is the subject of scrutiny by Israeli authorities. Between 1987 and the beginning of 1988 he was detained four times by Israeli authorities. According to a JERUSALEM POST report, Husayni maintained a cool, business-like attitude under questioning on the issue of Arab-Israeli conflict. He feels that the PLO should talk not only with the leftwing Israeli faction that advocates contact with the PLO, but also with the centrist faction and even the government itself. The public perceives Husayni and his father in the same way—as leaders of occupied Palestine.

After the special envoy for troop withdrawal obtained his release, visitors descended upon Husayni in an endless stream and he met frequently with important people of various political stripes. He also went abroad occasionally to visit and participate in international conferences. He represented the Palestinian people at the Symposium on the Middle East Peace Situation organized by the International Center for Peace in the Middle East that was attended by legislators and officials from Egypt, the Soviet Union, the UK, Switzerland, Israel, and other

nations. What is worthy of note is that Husayni was able to meet not only with the leaders of the United Workers Party [MAPAM], Center Change Party [Shinu'i], and Citizens Rights Party [RATZ], Israel's leftist opposition parties, but also with assistants to Labor's Shimon Peres, including Deputy Minister of Finance Beilin and advisor [Nimrod] Novick. Husayni even met with Labor Party Knesset Leader Bar-Am, Labor Party former Secretary General Eliyahu, and former Minister of Foreign Affairs Eban, and other members of the Labor Knesset. These activities inspired panic and resentment in the Likud. The Likud parliamentary group attacked the Labor Party for "allowing the PLO to gain legitimacy in the public mind at home and abroad." Shamir called the meetings "unauthorized" and criticized the Labor Party's violation of the coalition government agreement as "a slide to the left." Secluded former Prime Minister Begin told Shamir, who has asked him for advice in the past, that meetings between Husayni and Israel's political figures can only further fan the flames of revolt among Palestinians in the occupied zone. Likud hard-liner Sharon, totally flustered and exasperated, said, "When Israelis reject their leaders, how unctuously, and shake hands with Husayni, how can we ask the West not to hold talks with the PLO?"

But despite Likud disapproval, the Husayni phenomenon is on the rise. Not only has Husayni attended meetings of the United Workers Party and other organizations, on 30 July he also attended a Labor Party dovish faction forum at Labor Headquarters in Tel Aviv, where he was welcomed enthusiastically by attendees.

Husayni's influence is growing daily, which naturally inspires hostility among Israeli extremists. Among these, the most aggressive of Husayni's opponents are the "Group of the Faithful" [Gush Emunim] on the West Bank. In September 1988 Moshe Levinger, the ring-leader of this organization, stood trial for shooting and killing two Palestinians. On 27 August 1989 he unexpectedly took advantage of a court recess to round up a gang to stir up trouble near Husayni's home. Then the Gush Emunim announced they had decided to demonstrate in front of Husayni's door until the "stone-throwing" Husayni, leader of the Occupied Zone, was deported. Some rightwing bigwigs cheered Levinger for this. However, what is interesting is that, while Husayni was working, the former general secretary of Gush Emunim, noted Rabbi Menahem Froman, suddenly surmounted all obstacles to set up a meeting with Husayni.

After 10 September, when Egyptian President Mubarak made a 10-point proposal for resolving the Palestinian issue, interest in Husayni rose again. On 19 September the JERUSALEM POST listed the Palestinians most likely to be appointed representatives in negotiations between Cairo and Israel, and Husayni's name topped the list.

It is quite obvious that Shamir hoped initially to use Husayni in place of the PLO. But Husayni did not fall into this trap. He solemnly declared his support for the



PLO and for Chairman 'Arafat, and emphasized that the PLO is the only lawful representative of the Palestinian people. He pointed out that the authorities must hold talks with the PLO—there is no way they can find a "substitute leader" in the occupied zone. He himself, he said, can act only as a go-between to build a bridge between the two sides. He clearly and unequivocally told the Israeli Government, "Even if you arrest me, I will not change my thinking."

Shamir saw that he could not be roped in, so in turn did his utmost to belittle and vilify Husayni, saying he represents no one, and declined to discuss the issues with him. Shamir searched high and low for a new negotiation target. In July he hastily met with four relatively well-known Palestinians from the Occupied Zone. To his surprise, Shamir was again disappointed in his search, for as people from various circles can testify, these four men are also PLO supporters.

The appearance of this interest in Husayni is by no means fortuitous: It illustrates that the trend of the times is toward negotiations with the PLO to resolve the Palestinian issue, a point that Israelis with some breadth of vision recognize and agree upon. If Shamir and his ilk stubbornly continue to refuse to recognize or have any contacts with the PLO, the Middle East peace talks cannot come to pass. Any attempt to pass over the PLO will come to naught. It looks as though the Husayni phenomenon will continue to grow as the situation develops.

#### **Qian Qichen Condemns Soviet Jewish Emigration**

*LD0803135290 Kuwait KUNA in English  
1203 GMT 8 Mar 90*

[Text] Abu Dhabi, March 8 (KUNA)—Chinese Foreign Minister Qian Qichen ruled out any solution of the Middle East crisis through the planned Israel-Palestinian dialogue in Cairo.

But, in an interview with the daily AL-ITTIHAD, he welcomed the idea of direct negotiations among the parties involved in the conflict including the dialogue between Palestinians, Americans, and Israel.

He condemned the Soviet Jewish emigration to the occupied territories and Israel attempts to settle them there.

"This constitutes a new obstacle for the peace process in the Middle East," he said.

He called for effective world measures to stop the emigration.

## **WEST EUROPE**

#### **Two French Women Ordered Deported**

*OH 2802000790 Beijing XINHUA in English  
1605 GMT 27 Feb 90*

[Text] Urumqi, February 27 (XINHUA)—Two French travelers have been ordered to leave China because of legal violations.

The two women, Danielle Marie Loustallot and Fagienne Marie Goldberg Marcella, travelled to Xinjiang Uygur Autonomous Region on February 13 as tourists.

However, the two women unlawfully carried out news gathering activities in Urumqi, the regional capital, and in Kashi (Kashgar) Prefecture during their stay in Xinjiang.

Their acts were incompatible with their status and violated the law on the entry and exit of foreigners and regulations on the supervision of foreign journalists and resident foreign news organs, said an official from the local public security bureau.

## **WESTERN HEMISPHERE**

#### **Increase in U.S. Fleet Off Cuba Reported**

*OW 1702033290 Beijing XINHUA in English  
0826 GMT 14 Feb 90*

[Text] Havana, February 13 (XINHUA)—More U.S. warships have arrived at Guantanamo Naval Base on Cuba's southeastern coast, Cuba's Revolutionary Armed Forces (FAR) announced today.

The newspaper BASTION reported that the U.S. rocket destroyer DDG-38 "Luce" and its landing ship LSD-41 "Whidbey Island" arrived at the U.S. Guantanamo Naval Base with other U.S. warships.

The deepwater bay now has 11 U.S. ships, including battleship BB64 "Wisconsin" and amphibious assault ship LHD-1 "Wasp", the most modern of its type in the U.S. Navy.

The paper said that the U.S. intends to maintain tension in waters close to Cuba.

The newspaper also recalled an incident from last month in which a U.S. Coast Guard boat attacked the Cuban cargo ship "Hermann" in international and Mexican waters.



### Review of Yang Shangkun's Political Career

900ND2434 Hong Kong MING PAO YE KAN [MING PAO MONTHLY] in Chinese No 288, Dec 89 pp 36-43

[By Wei Chao (5898 0664)]

[Text] Yang Shangkun has become a hotshot backed up by military power in China's present-day political arena. He is in the high position of president of the state, as well as vice chairman of the Central Military Commission [CMC] of the People's Republic of China. Yang played an essential role in giving orders to crack down on the student demonstrations during the bloody "4 June massacre" which shocked the world. For eight years Yang has been conducting the daily administration of the CMC and has expanded his power base within. His brother, Yang Baibing [2799 4101 0309], is now secretary of the CMC. Rumors are being spread on the mainland about "the Yang family generals." Yang is currently 82 years old. In comparison with Deng Xiaoping, Yang is two or three years younger and is in better physical condition. It is predicted that Yang may quite possibly become the new overlord of China by using his military power when Deng's health deteriorates or if Deng kicks the bucket. By then, even General Secretary Jiang Zemin and his Central Committee would not be able to do much about Yang but to submit to his majesty. But how did Yang come to such a position of power?

### The Details of How Yang Became a Party Member

As a native of Tongnan County of Sichuan Province, Yang was born in 1907 to a locally prominent family with many brothers. His elder brother, Yang Ankun [2799 2542 0361], had become a member of the CPC in its early days and was executed by Sichuan warlords in 1926. In his youth Yang was strongly influenced by his older brother and consequently put his faith in communism. In 1925 at the age of 18, Yang joined the Communist Youth League [CYL] and left for Shanghai to study at what was called "Shanghai University." Shanghai University was not a university in a formal sense, but an underground "university" organized by the CPC. Among its faculty members were Yun Daiying [1926 0108 5391], Ju Qiubai [4234 4428 4101], and other important CPC members. The curriculum offered courses in social evolution, objective materialism, imperialism, as well as Chinese politics. The curriculum also included the Russian language. Ju Qiubai was in charge of the daily administration of the university. He also selected candidates from the student body to study in the Soviet Union. The Russians founded the Sun Yat-sen University in Moscow for the special purpose of training personnel for both the nationalists and the communists. Many renowned figures of both the Communist Party and the Nationalist Party received their education at the Sun Yat-sen University in Moscow.

In the spring of 1926, at the age of 19, Yang Shangkun was selected by the CPC Shanghai branch to study at the Sun Yat-sen University in Moscow. This was the first important landmark in Yang's political career. With a

few dozen other Chinese Communist youths, Yang set off on a Russian ship from Shanghai's Huangpu Port to Vladivostok. Later they rode the trans-Siberia train to Moscow. After spending several days on the train, Yang arrived in Moscow and started his six-year study in the Soviet Union.

Since Yang had studied Russian in Shanghai and had received some basic language training, he showed his talent shortly after his entrance into the Sun Yat-sen University. He was soon admitted into the Bolshevik Party. As the Bolshevik Party and the CPC were both members of the Communist Third International [the 3d Comintern] at the time, it can be said that Yang formally joined the CPC in 1926.

### The Soviet Period: Getting Familiar With the Struggle Methods

The president of Sun Yat-sen University in Moscow was a veteran Bolshevik, Latike [2139 5441 0344]. (He was later executed by Stalin for the crime of being a Trotskyist.) The vice president of the university was the well-known Mifu [4717 1133]. Although Mifu received personal favoritism from Stalin at the time, he was nevertheless a subordinate of Latike because of seniority. (Mifu was also persecuted by Stalin later.) Theoretical contentions and factional struggles occurred frequently among students and teachers at the Sun Yat-sen University. These contentions varied in scale from significant differences between students of communism and nationalism, between Stalinists and Trotskyists, as well as among different Stalinist factions; to small disagreements among students from different provinces, and between students with a working background and students with an intellectual background. The Sun Yat-sen University was indeed a forum of contentions for communists.

Naturally, the youthful Yang Shangkun had his ups and downs in these struggles. He quickly sided with people like Chen Shaoyu [7115 4801 4416] (Wang Ming [3769 2494]) and Bo Gu [0590 0657], and became a backbone member of Ch'en Shao-yu's clique named "the 28-and-a-half Bolshevik." "The 28-and-a-half Bolshevik" clique was vice president Mifu's personal power group. The clique was used by Mifu for the specific purpose of attacking the CPC Central Committee and the CPC Comintern representatives in Moscow, both of which were considered by the Stalinist group as disobedient members of the Comintern. Many CPC leaders such as Ju Qiubai, Zhou Enlai, and Zhang Guotao [1728 0948 3614] were victims of the ruthlessness of this clique with its Russian backstage power. "The 28-and-a-half Bolshevik" considered the CPC leaders as lacking basic understanding of the theories of Leninism and Stalinism and consequently repeatedly making opportunists' mistakes in the Chinese revolution. Therefore, the Chinese revolution should have been led by "the 28-and-a-half Bolshevik," who were the authentic "Bolsheviks" who received training in the Soviet Union. The clique quickly took over the power in the student party committee and

cooperated closely with university authorities to persecute and purge students with different political opinions. The clique even cooperated with the Soviet State Political Administration (GPU) to label their fellow students as "Trotskyists," "spies," and "counterrevolutionaries." The purges resulted in these students being exiled to Siberia and even being executed. According to some insiders' memories, the members of "the 28-and-a-half" even participated in the interrogation of their fellow students together with the Soviet political police. As a backbone member of "the-28-and-a-half" clique, Yang Shangkun naturally participated in these activities with enthusiasm.

Although Deng Xiaoping, the "chief engineer" of the present-day Chinese political arena, had studied in Moscow from 1925 to 1926, no concrete evidence shows that Deng and Yang had met each other by that time. Deng joined the CPC in France and immediately became a backbone member of the party. Yang, by contrast, had just arrived in the Soviet Union and had barely made his reputation. Nevertheless, both Deng and Yang studied in the Soviet Union and received similar political indoctrination.

Now I can not help associating the above facts with a successor to both Deng and Yang—Premier Li Peng. Li also went to study in the Soviet Union during the 1950's. Li was also appointed general secretary of the party committee of the Chinese students studying in the Soviet Union. Although Li's academic career is not worth mentioning here (as he failed to receive an associate doctorate degree even after quite a few years of study), his "achievement" of cooperating with Soviet authorities to control Chinese students' political thought is quite remarkable. It is said that Li cooperated with the KGB to purge Chinese students studying in the Soviet Union. Is it a coincidence that all three butchers of the Beijing student massacre received similar political training in their youth?

In 1930, Yang married Li Bochao [2621 0130 6856], a student at the Sun Yat-sen University. The couple returned to China the following year. The five or six years that Yang spent in the Soviet Union had a tremendous influence on his life. The Soviet Union was then an authoritarian police state with a ruthless GPU and a personality cult of Stalin. All these things had burned deeply into Yang's brain during his youth.

#### **Fast Career Development Due to His Soviet Experience**

Shortly after Yang returned to China, in November 1931, Chen Shaoyu (Wang Ming) and Bo Gu successfully took over the political power under Mifu's personal supervision in the 4th Plenary Session of the 6th CPC National Congress. Consequently, all members of "the 28-and-a-half Bolshevik" were appointed to high positions of party leadership. Yang Shangkun, a youth with no battlefield experience in China, was appointed the head of a Propaganda Department in the CPC's largest provincial commission (Jiangsu Province).

Shortly after that, Yang moved with the CPC Central Committee's Interim Political Bureau from Shanghai to the central soviet region in Jiangxi Province. Mao Zedong was then purged and became powerless, with the empty title of chairman of the "Chinese Soviet Government." "The 28-and-a-half Bolshevik" clique was in total control. Chen Shaoyu was headquartered in Moscow as the head of the Chinese delegation to the 3d Comintern; Bo Gu positioned himself as head of the CPC Political Bureau in Ruijin City, Jiangxi; and Yang Shangkun, a young intellectual, was appointed to the positions of vice president of the party school in the "Central Soviet District," as well as political commissar of the 3d Army Group of the Red Army.

The 3d Army Group was a major force in the Central Red Army (the Red Army of Zhu De [2612 1795] and Mao Zedong). The commander of the Red 3d Army Group was the renowned Peng Dehuai. At the age of 25, with no major achievement nor any battlefield experience, Yang was appointed to such an important position to control the Red 3d Army Group entirely because of his "Moscow envoy" connection. Yang later repeatedly claimed that he firmly opposed "rocket-style" promotion of cadres, and that he had commanded troops in the battlefield since youth during his twenties. The fact is that he was a "rocket-style" cadre himself, only in a much earlier period.

#### **Stoop To Compromise Under Peng Dehuai**

The Red 3d Army Group was Peng's own army. As the commander of a Hunan group army, Peng rebelled in 1928 and made his group army the Red 5th Army, which later grew into the Red 3d Army Group. Peng was a very highly respected commander in the 3d Army and his leadership was absolutely unchallenged. Furthermore, the leaders of CPC had no choice but to rely on the armed forces for power in times of war. Consequently, Yang submitted himself to Peng's unchallenged leadership in the Red 3d Army Group. There was very little power struggle between Yang and Peng in the Red 3d Army Group. Yang Shangkun was smart enough to realize that the consequence of offending people with the barrel of a gun in the wartime "soviet district" could be deadly.

During this period, the CPC was implementing in the Red Army the policy of "the political commissar makes final decisions," which meant that, when disagreement arose among military and political officers, the power to make final decisions rested with the political commissar. However, implementation of this policy also depended on each commander's individual power base. In the case of the Red 3d Army Group, Yang had no power whatever of final arbitration over Peng's decision. After settling down in Jiangxi's soviet district, Yang felt the different situation between rural Jiangxi and Moscow or Shanghai. In the Jiangxi soviet district, everything came from the barrel of a gun and not from reasoning. In comparison with others in the same group such as Po Ku, whose high opinion of himself made him a snob, Yang

behaved quite differently and showed respect toward those individuals with military power, such as Zhu De and Peng Dehuai. This episode made Yang more adaptive and changed his political alliance later.

#### **Abandon Wife To Follow Mao on the "Long March"**

During the Long March, the CPC Central Committee called for the Zunyi Meeting in January 1935, in which Mao Zedong took over both political and military power. The Zunyi Meeting was an "enlarged Central Committee meeting." To qualify for its full membership status, one had to be a member of the Central Committee, an alternate member of the Central Committee, or a ranking military and political officer of either the Red 1st, 3d or 5th Army Group. As the political commissar of the 3d Army, Yang naturally participated the Zunyi Meeting as a full member. Having barely recovered from the political purge, Deng Xiaoping participated in the meeting merely as a staff notetaker (in fact, Deng was of extreme importance to Mao Zedong and Zhou Enlai, who put Deng in that position to control the program of the meeting and to keep the minutes) During the meeting, Yang followed the others' political stand to throw his support to Mao. Thus, he became an "official who followed the winner" and took credit for this move in his political career.

A few years ago, in order to please Deng Xiaoping, some CPC historians tried to "prove" that Deng actually participated the "historical" Zunyi Meeting as a full member. However, Yang refused to testify. Later, Yang admitted only that Deng participated in the meeting as an alternate member in order to show that Yang was in a superior position to Deng. This case illustrates how power greedy Yang has become in the last few years. Furthermore, because Hu Yaobang was following the activities of the Red 3d Army Group, he was considered by Yang Shangkun as a subordinate. As for Zhao Ziyang, who was not a participating member of the Long March, Yang had no respect for him at all.

In fact, nowadays a "Long March group," which includes the original participating members of the march as well as their decedents, has obviously emerged in the mainland. Anyone who belongs to this circle may have access to real power that is otherwise difficult to obtain. Yang Shangkun is a backbone member of this group. From the bottom of their hearts, this "Long March group" believe that they deserve all the credit for whatever has been accomplished in present-day China, and they refuse to give away their power. They consider cadres like Zhao Ziyang as "outsiders" because they were latecomers in joining the revolution at the time of the War of Resistance Against Japan. In the summer of 1935, the 1st Front Army led by Mao Zedong and the Red 4th Front Army led by Zhang Guotao met in the western border region between Sichuan and Tibet. For fear of their weak military position, the army led by Mao and the returned Soviet faction intended to move north so that they could get help from the Russians. Zhang Guotao, on the other hand, intended to go south because of his superior

military force as well as his disgust with Wang Ming and Stalin. As a supporter of Mao and this returned Soviet faction, Yang also embraced the plan to move north. The two armies were restructured in western Sichuan and Yang was transferred to the Red 1st Front Army as its political commissar. Li Fuchun [2621 8099 2504] was appointed political commissar of the 3d Army Group. On the surface, this arrangement seemed like a promotion, but it actually took away Yang's real power and left him with very few people. The CPC was going through the unusual circumstances of the Long March period, in which high rankings and status weighed much less than real military power.

Later, Mao Zedong, Zhou Enlai, and others suddenly took off with the 1st Front Army and the 3d Front Army heading north out of fear that Zhang Guotao might take over power. Yang Shangkun was left behind and barely caught up with Mao's troops. Together with Ye Jianying, who stole an army command map from the right flank, he went north to catch up with Mao's troops. He left his wife, Li Bochao, behind with the Red 4th Front Army, which went south. For Yang Shangkun, this was a summer of "losing his wife as well as his army." The couple was not reunited until October 1936, when the Red 2d and 4th Front Armies met in the north. By then Mao had appointed Yang associate director of the political department of the Red Army's field army. This field army consisted of troops under the Red 1st, 2d, and 3d Front Armies. It seemed that Yang gained promotion again, but the whole Red Army in the country had only a few tens of thousands soldiers left.

#### **Purge "Old Comrades-in-Arms" and Flirt With Mao**

During the War of Resistance Against Japan era, the CPC and the Nationalists went through another phase of cooperation. Yang was appointed secretary of the CPC Northern Bureau from 1937 to 1940. The major power base of the CPC during the war period was in the north, which was under the control of the CPC Northern Bureau. The Northern Bureau and the headquarters of the 8th Route Army frequently shared administrative duties and other activities. And from time to time, the Northern Bureau were also in touch with the 129th Division as well as the CPC Taihang Branch Bureau. The commander and the assistant commander of the 8th Route Army were Zhu De and Peng Dehuai, respectively, both of whom were members of the Northern Bureau. The commander and the political commissar of the 129th Division were Liu Bocheng [0491 0130 2110] and Deng Xiaoping, among whom Deng was a member of the Northern Bureau. From this perspective, Yang may claim that his status was higher than Deng Xiaoping's. Nevertheless, as he was originally appointed by Mao as political commissar of the Red 4th Front Army (the 129th Division), Deng had more real power than Yang Shangkun. The military power that Deng is using to control China today can be traced back to the period during which he was assigned to the 129th Division and the 2d Field Army.



At the end of 1937, Chen Shaoyu (Wang Ming), Kang Sheng, Chen Yun, and others flew to Yanan from Moscow. Chen immediately had a disagreement with Mao. By then Yang had realized that his old comrade Wang Ming was no longer Mao's equal, so he gradually distanced himself from Wang. Mao purged Wang Ming, but he treated those returned Soviet cadres who participated in the Long March such as Wang Jiaxiang [3769 4471 4382], Zhang Wentian [1728 5113 1131] and Yang Shangkun quite differently. Mao assigned them to important posts. Zhang Wentian was the "person in charge" of the CPC Central Committee on the surface. According to Mao, Luo Pu (Chang Wen-tien) was the Hanxian emperor, whereas Mao was Cao Cao himself [the real power].

Yang was recalled to Yanan in 1940 and later participated in the rectification campaign. It was said that Yang was recalled to Yanan because he made mistakes in having a united front with Yan Xishan [7051 6932 1472] which retarded the CPC expansion of power. During the rectification campaign, Yang, as one of the returned students from the Soviet Union, attacked Wang Ming and joined the others to sing the praises of "Mao Zedong Thought." Yang's behavior during the rectification campaign won Mao's heart and he survived the campaign in peace.

#### **Appointed Secretary of the CPC Central Military Commission**

Yang Shangkun was appointed to the very important position of general secretary of the CMC in 1945. This appointment laid the foundation for his future power. However, the position did not yield any real power at that time. Mao's approach in the CMC was to "keep the authorities on big matters for himself and delegate minor duties to different people." As the general secretary of the CMC, Yang's position was only equivalent to a director of logistics handling miscellaneous tasks on the daily basis. Nevertheless, the appointment helped him in the long run as he later became the director of the CPC General Office of the Central Committee.

#### **In Charge of Supplies for the CPC Central Committee During the Civil War Period**

The war between the Nationalists and the Communists was at its peak in 1947. Hu Zongnan's [5519 1350 0589] army occupied Yanan. Out of the fear that the communist force would be wiped out totally at this stage, the CPC Central Committee decided to split into two groups. One group, headed by Mao Zedong, Zhou Enlai, and Ren Bishi [0117 1732 2514], still called itself the CPC Central Committee and stayed on in northern Shaanxi to fight Hu Zongnan. The other group was headed by Liu Shaoqi [0491 1421 1142] and Zhu De who named their group "the CPC Central Work Commission" [zhonggong zhongyang gongzuo weiyuanhui] and moved to the north. Among the large number of cadres working for the different agencies in the central government in Yanan, most cadres followed Yang

Shangkun to seek refuge in western Shaanxi with Ho Lung [6320 7893] except a handful who stayed with Mao and Liu. Yang's group was named "the CPC Central Rear Service Commission." [zhonggong zhongyang houfang gongzuo weiyuanhui] Yang Shang-kun remained the secretary of that commission until the end of 1948. During this period, Yang participated in the land reform activities but was not in charge of military affairs.

#### **Competing for Power With Wang Dongxing [3076 2639 5281]**

After the PRC was founded, the CPC Central Rear Service Commission was relocated to Beijing and was renamed the "General Office of the Central Committee" (Zhongban). Yang Shangkun continued to hold his position as director of Zhongban. Initially, Zhongban did not have very important functions. However, its power expanded gradually over time to include the CPC Central Committee's secretary's work, security, files and records, classified information, as well as taking care of the committee members' daily living. Later, its power expanded to cover the places where the CPC Central Committee would frequent, such as Lu Shan and Beidaihe. Yang was the director of Zhongban from 1949 to 1966 before the Cultural Revolution broke out. During his 17 years' management of that office, Yang had cultivated and developed many personal followers. Yang was elected a member of the Central Committee and the alternate secretary of the Central Committee Secretariat.

Yang made two major "mistakes" in this pivotal position as the director of Zhongban. These two mistakes led to Yang's downfall at the beginning of the Cultural Revolution. His first "mistake" was to compete for power with Wang Dongxing, who was the deputy director of Zhongban. Wang had been in charge of Mao's personal security since the Yanan period, had gained Mao's personal favor, and had become Mao's closest associate. Wang had coveted the post of the director. Consequently, Yang and Wang had a long-term power struggle, built up their own factions in Zhongban, and competed for Mao's favor. As Wang had followed Mao for a long time and consequently could not avoid making some "mistakes," Yang badmouthed Wang, resulting in Wang's demotion to director of Jiangxi Agriculture Bureau. However, while Yang triumphed in getting rid of his opponent, Wang was also plotting his retaliation in secrecy. Taking advantage of Mao's liking of "one big, two ownership" (yi da er gong)<sup>1</sup>, Wang founded the "Communist Labor University" (gongchan zhuyi daxue), abbreviated as "gong da," in Jiangxi. When Mao returned to Jinggangshan, Wang had access to Mao again. This reminded Mao of Wang's personal loyalty in the early days, and Mao reinstated Wang to some important positions. Naturally, the situation became disadvantageous for Yang Shangkun and sowed the seeds for Yang's downfall later.

**"Wiretap Chairman Mao's Conversations"**

The second major mistake that Yang made in Zhongban was "to wiretap Chairman Mao's conversations and his spy activities." The following is a general account of the matter. During the mid-1950's, Mao considered his achievement as great, unprecedented, and no one else could surpass him. Follow the tradition of all emperors who kept daily records for biographical purpose, Mao requested Zhongban to record his daily conversations for future historians' studies. This was not a bad idea at the beginning. It was said that Mao himself had helped when he saw Zhongban's staff installing the recording equipment. However, Mao came to realize pretty soon that recording his daily conversations was a big mistake after the Lushan Conference in 1959 and was afraid that the recording would be used as evidence against him.

Consequently, he forbade future recording of his conversations without his permission. Yang Shankun, on the other hand, instructed staff members to continue recording Mao's conversations so that he would know Mao's motive and thinking. Furthermore, Yang told Zhongban staff that they should record Mao's conversation secretly without Mao's knowledge. Of course, this is called "wiretapping." Yang had practiced this spy trick while he was studying in the Soviet Union. But this time he had the audacity to use it on Mao, that's a lot of nerve.

After holding the CPC's "seven thousand people meeting" in 1962, Mao's position in the CPC Central Committee was not very stable. For the second time, Mao announced that he would "retreat to the second line." Liu Shaoqi and Deng Xiaoping would handle the work. Given the situation, Yang thought that Mao was going to retire and turned to Liu and Deng for patronage. He privately furnished Liu and Deng with the "wiretapped" information about Mao's every move and isolated Mao in Zhongban, in the meantime forcing Mao to flee to Shanghai to start a political campaign.

Mao discovered in the early 1960's that somebody was "secretly recording" his conversations. Several times he got angry and punished some middle- and lower-level cadres in Zhongban. Initially, Mao thought it was subordinates "playing games," but he learned later from Wang Dongxing that Yang was siding with Liu and Deng in engaging in "spy activities." Consequently, Mao wanted to bring Yang down. But Liu and Deng were too powerful for Mao to attack at the time, so Mao sent Lin Biao to control the Army, bringing down first the peripheral figures Peng Zhen, Luo Ruiqing [5012 3843 0615], Lu Dingyi [7120 1353 0001], and Yang Shangkun, then attacking the Liu-Deng command headquarters. As a result, shortly before the Cultural Revolution began, in May of 1966, Beijing party committee secretary Peng Zhen, chief of general staff Luo Ruiqing, director of the Propaganda Department Lu Dingyi, and Yang Shangkun were all brought down on the same day. Thus, in one fell swoop, Yang came down from an honored person of position to becoming a prisoner, and it all took a matter of 12 years.

As the director of Zhongban for 17 years, Yang had persecuted many of his opponents and labeled them as rightists and rightist-leaning opportunists. He destroyed a lot of families by sending cadres to remote places and countryside. Yang deserved his downfall and is unworthy of sympathy.

**Out of Power and Disgraced During the Cultural Revolution**

From 1966 to 1968, Yang was denounced many times at public meetings by the Red Guards and rebel students. In those meetings, black signs were put around his neck and he bent to the "jet plane" position.<sup>2</sup> This experience made Yang paranoid, full of fear and hatred for student movements. This may well be one of the reasons why he was so firm in ordering the crackdown on the recent student movement. However, from the time of his arrest, Yang was in the hands of the Army during the entire period of the Cultural Revolution. Later on he was transferred to the famous "Qing City Prison" in the suburbs of Beijing. Yang never fell into the hands of the Red Guards and the rebels; even when he was at criticism meetings he was surrounded by the military. This was because he was the director of Zhongban for too long and knew too many secrets, so that Yang had maximum security at Mao's special instruction. This, ironically, made Yang's imprisonment days much easier.

**Out of Suffering and Bailed Out by Deng's "Liberation"**

Things changed in 12 years, during which time Mao passed away and the gang of four was brought down. Deng regained his power in the CPC Central Committee by the end of 1978. Reminiscent of old times and mindful of the fact that Yang was still in prison, Deng ordered Yang's "release" and immediately appointed him to the post of second secretary of the CPC Guangdong Provincial Party Committee and concurrently provincial lieutenant governor (Xi Zhongxun [5045 0112 8113] was Guangdong's governor at the time). Thus, once again, Yang returned to power from the status of a prisoner. The political climate is just so unpredictable. For example, although Hua Guofeng was still chairman of the CPC Central Committee in 1978, Hua had to weigh Deng's opinions very heavily before he did anything.

**Promoted by Deng and Gradually Controlled the Army**

Hua was forced to resign from his posts as chairman of the CPC Central Committee and chairman of the CMC in 1981. Although Deng took over the most powerful position in the country as chairman of the CMC, he had no time to manage daily affairs. So, starting in July 1981, Deng appointed Yang as general secretary of the CMC. After spending two years in Guangdong, Yang returned to Beijing as a member of the Standing Committee of the CMC and concurrently party general secretary. He was on his way to having military power. Yang had been the political commissar in the Red 3d Army Group and commanded reputation and respect in the Army.

At the 12th CPC National Congress in 1982, Yang was elected to the Political Bureau and vice chairman of the CMC, further consolidated his power. As Deng was delegating his power, Ye Jianying had passed away, and other veteran generals such as Nie Rungzhen [5119 2837 5271] and Xu Xiangqian [1776 0686 0467] were aging, military power gradually fell into Yang's hands. Now Yang Shangkun fears nobody except Deng Xiaoping. Despite the fact that he gave Yang the power to carry out daily affairs in the CMC, Deng had to sign for any military appointment above the assistant commander's rank. Deng was even smarter than Mao in this respect. When Mao was chairman of the CMC, he was only appointing cadres above the regular military ranks. However, there are twice as many secondary troops as regular ones. Besides, in Mao's era, both military and local cadres were all appointed by the CPC Central Committee because Mao was both the chairman of the CPC Central Committee and chairman of the CMC. With Deng Xiaoping, local cadres were appointed by the CPC Central Committee, whereas military cadres were appointed by the chairman of the CMC. The system under Deng has the weakness of having the military override the party. The tendency for a unified party and military leadership emerged only after Zhao Ziyang was elected both general secretary of the CPC Central Committee and first vice chairman of the CMC in the 13th CPC National Congress in 1978.

#### **Purge Hu and Zhao Relentlessly**

While he was vice chairman of the CMC, what Yang worried about the most was that Deng's successor might interfere with the Army. Yang was especially afraid that Deng would give the chairmanship of the CMC to his successor.

In 1986, Deng asked Hu Yaobang to take care of army affairs for a while, with the intention of handing over the chairmanship of the CMC to Hu. Hu did go take up the job. Hu figured that Yang would retire with Deng. Hu even decided on his own that he would appoint the then director of the Department of Politics Yu Qiuli as the general secretary of the CMC. This, of course, offended Yang. Consequently, Yang participated in the campaign to bring down Hu Yaobang in early 1987 and successfully knocked Hu down.

Following that event, Yang replaced Yu Qiuli with his brother Yang Baibing, and replaced the general chief of staff, Yang Dezhi [2779 1779 1807], with his personal confidant Chi Haotian [6688 3185 3944], thus further consolidating his position in the Army.

In November 1987, Zhao Ziyang was appointed general secretary of the CPC Central Committee and the first vice chairman of the CMC. This was a sign that Deng was preparing to hand over the power of the party and the Army to Zhao. This appointment provoked Yang greatly and made him attack Zhao.

During the recent student patriotic democratic movement, Yang had plotted very carefully. He combined the

new and the old conservative forces to first announce that the student movement was a "disturbance." He then called it a "riot" and used violence to crack down on it. The bloody incident shocked the world. Yang finally brought Zhao down.

#### **Elected First Vice Chairman of the CMC and Commanded Considerable Power**

During the 4th Plenary Session of the 13th CPC National Congress, Deng again recommended Jiang Zemin for the position of general secretary of the Central Committee and suggested that in the future the CPC should build a "collective leadership" centered on Jiang. The newly elected Jiang is young, and he lacks experience as well as reputation. Jiang has made no significant achievement and has no connection with the Army. Thus, it is not likely that Jiang will interfere in military affairs. These facts may have caused Yang to agree to Jiang's appointment.

The CMC made some structural changes recently in the 5th Plenary Session of the 13th CPC National Congress. Deng Xiaoping resigned from the position of chairman of the CMC and Jiang Zemin became the new chairman. At the age of 82, Yang not only successfully resisted pressures put upon him by Deng to resign with Deng, but also was elevated to first vice chairman of the CMC in spite of it. The other vice chairman of the CMC, Liu Huaqing [0491 5478 3237], is someone acceptable to Yang. Yang Baibing, on the other hand, was promoted to the position of general secretary of the CMC, wielding the real power. None of the senior generals, such as Qin Jiwei [4440 1015 0251] and Hong Xuezhi [3163 1331 2535], who are considered by the general public in China and overseas as having "distance" from the "generals of the Yang family," had been appointed to the core leadership in the CMC. This is an indication that Yang's power in the CMC has been further expanded.

Regardless of whether the CPC Central Committee will have a secret decision on whether "Deng still has final arbitration power in the CMC," Yang has come out of the CMC restructuring as a winner. Yang currently holds two very important positions as both chairman of the state as well as first vice chairman of the CMC. On the other hand, Deng has become an "ordinary citizen and an ordinary party member." And Jiang's reputation is too weak to compete with Yang's power. Consequently, Yang is ready to be "enthroned."

The only force capable of restraining Yang's power is the generals from the 2d Field Army headed by Qin Jiwei and Li Desheng [2621 1795 3932]. These generals still hold strong power. Consequently, they are not easy for the "generals of the Yang family" to control. And it is possible that for this reason the veteran general Liu Huaqing, who is also from the 129th Division and from the 2d Field Army, is able to be promoted to the position of vice chairman of the CMC. Liu is known for his ability



to mediate among different factions, and he is generally acceptable to everyone. It is safe to say that Liu's stand is critical in a crisis situation.

Before the 1970's, there was no such title as "first vice chairman" in the CPC. The title was coined by Mao Zedong when he appointed Hua Guofeng as the first vice chairman of the Central Committee in April 1976. Hua was ranked first among other vice chairmen. With the word "first" added to the title, it clearly indicated that Hua would be the successor after Mao's death. Following in Mao's footsteps, Deng also appointed Zhao Ziyang as the first vice chairman of the CMC in the 13th CPC National Congress in 1987. Naturally, Deng's appointment offended the "standing vice chairman" Yang Shangkun. However, CMC Chairman Jiang Zemin is now only in his early sixties, but Yang, the first vice chairman, is over 80. It is obvious that the arrangement made in the 5th Plenary Session was not intended to replace the chairman with the first vice chairman. Then what does this first vice chairman mean? This means that the chairman is nominal; only the first vice chairman has real power. In this respect, Yang has become the chairman of the CMC. h3

#### The Difficulty Yang Faces

In the last few years, Yang Shangkun has expanded his power by various means. He has forced out of the political arena two CPC general secretaries in a row, who were strong advocates of reform and openness and who had the people's trust. Now he also in certain ways forced Deng to retreat. He has made himself a "new occupant of a throne." His power remains the same whether he is chairman or first vice chairman of the CMC. The new chairman Jiang is an ideal puppet for Yang as Jiang has no choice but to submit to Yang's power.

The restructuring of the CMC seems to give the Yang family the privilege of having the country as their private property. However, there is another side to the story: the two Yangs also face some severe problems. First of all, Deng has finally resigned. As a result, the Yangs can no longer use Deng's name to issue orders. Second, Yang still refuses to resign even after Deng's retirement, holding two important state and military posts at an old age. His brother Yang Baibing has no original power base, but climbed to the high position of general secretary of the CMC entirely because of Yang Shangkun's connections. This blatant nepotism is unprecedented in the more-than-60-year history of the CPC and the PLA. There are many capable generals in the Army. For what reason should Yang Baibing, who lacks experience, talent, and virtue, hold the post of general secretary of the CMC? The powerful generals of Deng Xiaoping's faction in the 2d Field Army have no connections to Yang. Therefore, the political friction between those generals and the Yang's generals of the Yang family suddenly became obvious after Deng retired.

Before, many showed distant respect for Yang when Deng was the chairman of the CMC. Now, not only do

they not have to worry about it, they even suspect that Deng was forced to resign by Yang. Their grievances have accumulated. Following this analysis, we do not know whether Deng's retirement from the CMC is an attack or a retreat. Lao Tze says: "Happiness is a disaster in disguise." Who knows if Yang's stolen power from his country and the consequence would be worse than Deng Xiaoping who resigned at the height of his power.

#### Footnotes

1. Mao once praised the people's commune by calling it "yi da er gong." The so-called "da" refers to the large scale of the communes and the so-called "gong" refers to the public ownership system of the communes.

2. The "jet-plane style" was a form of physical punishment during the Cultural Revolution. The tortured person would be made to stand on one foot, doubled over with both arms extended wide in a jet plane style.

#### Jiang Zemin Seen Consolidating Position by Self-Promotion

90ON0275A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 289, Jan 90 pp 41-44

[Article by Ling Feng (0407 6912): "Promoting Himself and Establishing His Authority—Review of Jiang Zemin's Half Year in Office"]

[Text] It is now precisely half a year's time since Jiang Zemin was chosen by the 4th Plenary Session of the 13th CPC Central Committee to be the general secretary of the CPC Central Committee. This has been a period of troubled times in internal and external affairs for the Chinese Communists, and Jiang Zemin could be said to have "received instructions in the hour of danger." On 12 November, when receiving high-ranking cadres of the armed forces who were attending an expanded session of the Central Military Commission, Deng Xiaoping asserted that Jiang Zemin was a "qualified party general secretary." In the final analysis how has Jiang Zemin performed in this half year? Because Jiang Zemin was restricted by objective circumstances, it is quite difficult to see his true qualities; his most outstanding performance has been to promote himself and establish his own authority.

#### Making Frequent Public Appearances and Assiduously Seeking Fame

Jiang Zemin was originally the secretary of the Shanghai Municipal CPC Committee. He was not a national figure, and many people do not know "why he is sacred." Besides, Deng Xiaoping had called him an honorable name, the "third-generation nucleus." Therefore, if Jiang Zemin did not rouse himself to catch up and raise the degree of his fame, it would be impossible for him to stabilize his power. Li Peng and the band of men on the Beijing Municipal CPC Committee eye him covetously. Therefore, Jiang Zemin's most important task after taking office was to strike a pose often and to



expand his influence among all levels of the Chinese Communist leaders—I'm afraid that this task was second to none.

Please look at how many times, within one month after becoming general secretary, he struck a public pose:

On 28 June he attended a symposium of nonparty figures;

On 1 July he attended a symposium on party building;

On 7 July he received Hong Kong and Macao figures Ma Wan-ch'i [7456 5502 4388] and T'ang Hsiang-ch'i [0781 5046 0578];

On 11 July he received Hong Kong figures An Tzu-chieh [1344 1311 0094], Lo Te-ch'eng [5012 1795 0015], and Huang Pao-hsin [7806 0202 2946];

On 12 July he received all delegates to the conference of Chinese diplomatic envoys;

On 14 July he took part in the informal discussions held by delegates to a work conference of institutions of higher learning;

On 16 July he received the delegates to an expanded session of the Standing Committee of the CYL [Communist Youth League] Central Committee;

On 18 July he held informal discussions with representatives of the teachers and students of the Beijing No. 2 Foreign Languages College;

On 20 July he made a speech to the National Congress of Propaganda Department Directors;

From 21 to 24 July he inspected flood-control work in Hubei;

On 23 July he inspected the Wuhan Iron and Steel Company;

On 26 July he held informal discussions with representatives of the expanded session of the 3d Presidium of the 11th All-China Federation of Trade Unions;

On 27 July he received the delegation of the U.S.-China Friendship Association, Western Division, led by Frank Pestana;

On 29 July he attended a song and dance performance in celebration of the 1 August Army Day;

On 30 July he attended a get-together of soldiers and civilians; on the same day he received the chairman of the board and his entourage of an American corporation; and

On 31 July he attended the National Defense Ministry's Army Day reception.

...

These pose-striking activities of Jiang Zemin's were not impromptu, but were "planned, measured, and programmed" with the objective of projecting his own image into all domains and all strata.

From a comprehensive survey of his activities other than attending party meetings, during half a year one can see the positions he wants to "occupy."

#### **Seeking the Support of "Democratic Parties and Groups"**

Looking at the political domain we see that the first pose struck by Jiang Zemin after he took office was to hold a

symposium of nonparty figures. Besides soliciting opinions, what was more important was to put forth his administrative programs in an attempt to win over these nonparty politicians so as to lessen the threat of "foreign aggression." These administrative programs included "one center and two basic points," namely, upholding the four basic principles and carrying out reform and opening up to the outside world. At the same time, he stressed "continuing to uphold the multiparty cooperation system and political consultation system led by the Communist Party, and giving better play to the people's political consultation, the democratic parties and groups, and the people's organizations in the country's political life." The awareness of these nonparty politicians was not something that could be taken away, and also they could still act as the "nonparty political stratum," so naturally they were content to cooperate with the Communist Party and also support Jiang Zemin's leadership.

#### **Vigorously Establishing a Relationship With the Military**

Jiang Zemin's second step was to rope in the armed forces.

The 4th Plenary Session of the 13th CPC Central Committee did not give Jiang Zemin a seat on the Central Military Commission, a fact that fully showed that his power was not yet stable; he had to get the good opinion and support of the armed forces. Therefore, besides following the usual practice of leaders of all countries by "expressing appreciation" to the martial law units, Jiang Zemin actively took part in all the important Army Day activities within the military. There were three important commemorative activities held by the armed forces from 29 to 31 July, and the six Political Bureau party committees made Jiang Zemin the only one to take part in all three of them—other people could take part only in two—in order to highlight Jiang Zemin's "special relationship" with the armed forces. In the past, the highest Chinese Communist leaders had almost never taken part in three Army Day commemorative activities. This showed Jiang Zemin's uneasiness and his hope to soon be admitted into the armed forces.

The 5th Plenary Session of the 13th CPC Committee elected Jiang Zemin chairman of the Central Military Commission; on the next day (10 November) he went to the Air Force organizations' assembly hall and celebrated the 40th anniversary of the founding of the CPLA [Chinese People's Liberation Army] Air Force.

At the 10-12 November expanded session of the CPC Central Committee, Jiang Zemin made a speech, the content of which was primarily praise for Deng Xiaoping. This reflected Jiang Zemin's mood of caution. According to a XINHUA news agency report, in his speech Jiang Zemin highly evaluated Deng Xiaoping's historical exploits in leading the armed forces. "Jiang Zemin said that all the successes and progress obtained in building the armed forces over the past 10 years were

the result of Deng Xiaoping's leadership, and were the condensation of his wisdom and painstaking efforts. He integrated Marxism with the armed forces' reality, put forward the principled policies for strengthening the building of the armed forces in the new period, and enriched and developed the military thought of Mao Zedong. Now, although Deng Xiaoping has withdrawn from his work posts, his ideas and theories on armed forces building in the new period are our precious wealth, and will have a long-term guiding effect on armed forces building in the future. We must conscientiously study and implement them."

#### **Visiting Chinese Communist "Shrines" and Paying His Respects to Senior Statesmen**

When visiting Yunnan in the last part of November, Jiang Zemin "made a special trip" to inspect the Liberation Army stationed there and to see the officers and men of the Heroic 7th Company of a certain unit.

Because Jiang Zemin's power source does not stem from the entire party, and even less from the people of the entire country, but rather from several senior statesmen within the party, to avoid following the same old disastrous road as Hu Yaobang and Zhao Ziyang, he had to obey submissively the senior statesmen and do some things that pleased them. Therefore, besides making some ultraleft, high-sounding assertions and highly praising Deng Xiaoping and other senior statesmen, he even more had to earnestly practice what he preached. Therefore, he visited the Chinese Communists' old bases to show his sincerity in carrying on the revolutionary tradition and his respect for the "proletarian revolutionaries of the older generation."

On 2 September 1989, when Jiang Zemin's throne as general secretary was not yet warm, he went to Yanan on a visit, and he "gazed with reverence on the old residences and historical relics of Mao Zedong and the proletarian revolutionaries of the older generation." The day before (1 September) he went to Yanan, Jiang Zemin "made a special trip" to Nanniwan, the place where Wang Zhen's (3769 7201) 359th Brigade reclaimed wasteland in those years. Jiang Zemin's knew well Wang Zhen's "big gun" role among these elders and Deng Xiaoping's trust in Wang Zhen. Therefore, the effect of this move should not be underestimated.

On 3 October, a month later, Jiang Zemin visited the Chinese Communists' first revolutionary shrine, Jinggangshan, where he "gazed with respect on the old residences of the proletarian revolutionaries of the older generation and revolutionary relics in Jinggangshan. At the Martyrs Cemetery he laid a wreath for the martyrs of the Jinggangshan Red Army who sacrificed themselves." Jiang Zemin said that he "had come to study the glorious revolutionary tradition of Jinggangshan."

#### **Roping in Local Forces**

However, if one were to think that Jiang Zemin went to Yanan and Jinggangshan just to flatter the "old revolutionaries" one would be underestimating his political sagacity. Jiang Zemin and Li Ruihuan are rulers of local power factions on the new Politburo Standing Committee. They did not render "meritorious service" during the "suppression of rebellion." Therefore, both men are hated by certain leaders of the central faction and the Beijing faction. While ingratiating himself with the elders, Jiang Zemin also had to establish an alliance with local power factions before he could contend with these "meritorious" arrogant metropolitan officials. Therefore, while inspecting Yanan and Jinggangshan, Jiang Zemin, besides showing his solicitude for local governments at all levels, made friendly contacts with Zhang Boxing (1728 0514 5281), secretary of the Shaanxi Provincial CPC Committee; Hou Zongbin (0186 1350 6333), governor of Shaanxi Province; Mao Zhiyong (3029 5268 3938), secretary of the Jiangxi Provincial CPC Committee; and Wu Guanzheng (0702 1351 2973), governor of Jiangxi Province. He also visited schools, factories, and rural areas under their jurisdiction.

In addition, in the last part of July Jiang Zemin, when inspecting flood-control work in Hubei, "listened to reports on the implementation in Hubei Province of the spirit of the 4th Plenary Session of the 13th CPC Central Committee, and met with responsible comrades of the party committee, Advisory Commission, People's Congress, government, Military District, and CPPCC [Chinese People's Political Consultative Conference] branch of Hubei Province."

From 2 to 6 August, Jiang Zemin was in Shanghai getting involved at the basic level when he "made wide-ranging contacts and held informal talks with figures from worker, peasant, intellectual, and cadre circles." He even met with responsible officers of units stationed in Shanghai and of the People's Armed Police Zhongdui, and he called on officers and men of the "Good 8th Company on Nanjing Road." By doing all this Jiang Zemin showed that he had not forgotten his roots, and by doing all this he consolidated his "backyard."

From 16 to 22 November, Jiang Zemin visited Yunnan. Besides inspecting minority nationality areas, he "listened to reports from the Standing Committee of the provincial party committee and, at a party member cadre meeting held by the provincial party committee, made an important speech."

Jiang Zemin became general secretary at the end of June, after which, in July, August, September, October, and November, he visited Hubei, Shanghai, Jiangxi, and Yunnan, strengthening his ties to local forces. It is reckoned that he will visit another province in December. This policy of "the localities encircling the center" certainly should not be underestimated.

### Placating the Worker Class

Jiang Zemin also made a point of initiating work on all strata, including workers, peasants, and intellectuals.

Jiang Zemin gave high and continuous praise to the worker class. Besides showing by this that he is an orthodox Marxist-Leninist, he did it even more because the workers are an important force for maintaining political stability and the economy. Therefore, when Jiang Zemin inspected the localities he patronized state-run large and medium-sized enterprises (his interest in collective enterprises and private enterprises was not that great, and also it could be that he wanted to avoid the suspicion of having a tendency toward "liberalization").

On 23 July, when inspecting the second-largest iron and steel enterprise on the Chinese mainland, the Wuhan Iron and Steel Company, Jiang Zemin said, "The worker class is the most organized and most disciplined class, and is the main force in building socialism. To handle the four modernizations well, we must wholeheartedly depend on the worker class and give full play to the enthusiasm of the great number of the worker masses."

On 25 October Jiang Zemin held talks with all members attending the expanded session of the 3d Presidium of the 11th All-China Federation of Trade Unions, and he said again "we must wholeheartedly depend on the worker class" and "the trade union organization must conduct its activities under the party's unified leadership." However, he also said that the trade unions must "conscientiously represent the workers' interests, fully reflect the workers' opinions and views, and actively participate in and discuss government and political affairs," as well as solve "the problem in today's society of unfair distribution," thus doing all he could to placate the worker class. Jiang Zemin also supported the establishment of a joint conference system for government and trade union organizations as an "important channel for participation in government and political affairs and for the display of the function of society's supervision."

### Putting Less Effort on Peasants

As for the peasant problem, Jiang Zemin was particularly solicitous about the peasants in the old revolutionary bases, because the life of the peasants there is really too impoverished. For example, when he visited Jinggangshan he was accompanied by Chen Yaobang [7115 6851 5393], vice minister of agriculture, and Yang Yongzhe [2799 7167 9772], deputy head of the Impoverished Area Economic Development Leading Group of the State Council. When he was in Yanan he called on party organizations and government departments at all levels to help the elderly and the young in the border and poor areas to get out of poverty and create wealth.

Because the Chinese peasants have always been conservative in thought and have sought ease and comfort, they are the most stable element in all the strata of China's

society. Naturally, it was not necessary for Jiang Zemin to "write a big article" on the peasant problem.

### His Policy on Intellectuals

Intellectuals should be the most "unstable" element in Chinese society, because they are good at thinking and because they pursue freedom, democracy, human rights, legal institutions, and so forth—all things that the Communist Party most dislikes.

After the 4 June incident, the Chinese Communists engaged in a large-scale suppression of intellectuals. Naturally, Jiang Zemin could not lag behind in this respect, and so the statements "oppose bourgeois liberalization" and "strengthen political and ideological education" are always hanging on his lips. Not long after he came to power, he many received times relevant personnel of institutions of higher learning and gave them confidential briefings, or he talked with students in the hope of "educating" and placating them. On 6 October he talked with 31 persons who had returned to China from studying abroad. Besides saying that "China's policy of sending students to study abroad has not changed," he said grandly that "in you I see the dawn of China's future, which I hope to entrust to youths." But at the same time, he asserted that "some students studying abroad are ignorant of the facts, which produces in them misunderstandings about the situation in China and causes them to display extreme behavior." Afterward, he placated them by saying, "Men are not saints, how can they be free of faults? If one knows his mistakes one can correct them. This is understandable."

On the same day, Jiang Zemin talked with young scientists of the Chinese Academy of Sciences who had made "outstanding contributions." He declared that "only if young scientific and technological workers sink their roots in the soil of the motherland and work in a solid manner will they make achievements." Didn't he know about those citizens of Chinese origin in the United States who won the Nobel Prize? Were these false prizes?

In every era the Chinese Communists have set up an "intellectual model" as the party's docile tool. In the Mao Zedong era it was Guo Moruo [6753 3106 5387], and in the Deng Xiaoping era there seems to be a preference for Qian Xuesen [6929 1331 2773]. Particularly after the 4 June incident the need for this kind of model became more urgent.

On 6 August Jiang Zemin and Li Peng received Qian Xuesen. They complimented him on winning the "Young Rockwell Medal" and the titles "notable person in world-class science, technology, and engineering" and "honorary member of the International Science and Engineering Institute." Jiang Zemin stated clearly, "We learn from Comrade Qian Xuesen, not only in the academic aspect, but even more important, in political quality." In the academic field Qian Xuesen really has made great achievements, but in "political quality" we do not dare flatter him. In the fifties, after returning to Beijing from the United States, he actively threw himself



into the "antirightist" campaign and struggled against his own colleagues; at the time of the Great Leap Forward in 1958, he unexpectedly, in his status as a noted scientist, demonstrated that food grain could achieve high yields by multiplying satellite-style.

### Two Attitudes Toward the Outside World

In foreign affairs work Jiang Zemin seems to have a rule, namely, when talking about foreign affairs in internal circles his feelings about "nationalism" and "class struggle" run high. For example, in his speech celebrating National Day, he put the overall blame on infiltration and subversion by "international reactionary forces." However, when receiving foreign government VIP's or high-level figures and friends, he does not on the spot blame the other party but rather vigorously publicizes China's reform and opening up to the outside world, and he is also quite reserved about the other party's criticism. The most striking example of this was that, when receiving former U.S. President Nixon, he talked only in a positive way about Sino-U.S. relations and avoided a direct censure of the United States.

### The Question of Self-Promotion

The deepest impression of Jiang Zemin's promotion of himself was the scene on 26 September when he answered the questions of reporters, a scene that was transmitted live by television stations. Because of his unique leadership style he has become a highly prominent political star. Although some people feel that he is "terrific" and good at repartee, there are others who think that he is shallow and that, in order to establish his own image, he goes too far in promoting himself. For example, when answering questions he threw in one or two foreign words. This is a common thing in Chinese societies abroad, and this habit is not completely absent in Chinese official circles. In doing this, if Jiang Zemin was not deliberately showing off his learning, then he was "worshipping foreign things and fawning on foreign powers"—and could also be said to be establishing an "open" image.

Recently, an article in the magazine JIZHI XIE TIANXIA [REPORTERS WRITE ON WORLD AFFAIRS], the publication started by Jiang Xixin [3068 0007 2450], said that when Jiang Zemin inspected Jiangxi Province he climbed the Tengwang Tower. Pointing to the Western Mountains he joked: "The painted chinaberry of morning flies south with the riverside clouds. The vermillion curtain of dusk rolls up the rain on the Western Mountains." Today there is no rain, so the 'vermillion curtain of dusk' cannot 'roll up' the rain on the Western Mountains." By making these casual remarks about rain and the lack of it, wasn't he pressing the newspapers to flatter him and wasn't he being too shallow?

### Highlighting His Status as a "Descendant of Martyrs"

Finally, by getting the media to report that he is the son and younger brother of martyrs, I don't know whether Jiang Zemin is deliberately making rival claims to be Li Peng's equal or is "painting himself a deeply red color" (see Jiang Zemin's speech on 21 August 1989 at the National Conference of Organization Department Directors).

### Expectations for Jiang Zemin

At the 5th Plenary Session of the 13th CPC Central Committee, when Jiang Zemin succeeded to the post of chairman of the Central Military Commission, he seemed very modest. However, before ordinary cadres and the masses, if he can still be very modest and at the same time handle some work steadfastly, promote reform and the opening up to the outside world, sweep away ideological and organizational obstacles, speak less the ultraleftists' talk about "class struggle" and "opposition to bourgeois liberalization," and be able in China and abroad to establish a better image, what is the necessity to expend this much energy on and take great pains to promote himself and cause delays in important work?

## NATIONAL AFFAIRS, POLICY

### Public Support Seen Deteriorating as Economy Slips

900H0245A Hong Kong CHUHSIH NIENTAI (THE NINETIES) in Chinese No 1, Jan 90 pp 49-51

[Article by Lian Huawen (6647 5478 2429): "China's Sharp Economic Slippage"]

[Text] When CPC Central Committee General Secretary Jiang Zemin and State Council Premier Li Peng met recently in Beijing with the delegates who attended the National Chief Procurator Working Conference, Jiang Zemin emphasized that the most crucial and essential current job was to stabilize the domestic situation, which included stabilizing the political situation while achieving as fast economic growth as possible.

Jiang Zemin quite obviously emphasized stability as the most crucial and essential job because of the recent unprecedented wave of democracy movements in countries such as Poland, Hungary, Czechoslovakia, and East Germany, which forced these countries' communist parties to renounce one-party dictatorship, drove their leaders out of power, and replaced them with opposition factions. Jiang Zemin's statement means that no matter how much "turmoil" and "counterrevolutionary rebellion" occurs in the various Eastern European countries, Mainland China is still going to "uphold the four basic principles of socialism."

Can the situation on Mainland China be stabilized? Based on the fundamental tenets of Marxism-Leninism held by the CPC that economics is the basis and politics is the superstructure that reflects the economic basis, this article will discuss the economic situation first.

### Restricted Documents Have Exposed the CPC's Economic Crisis

The official word on the severe economic crisis of being unable to make ends meet, that has arisen in Mainland China in recent years, is that it was caused by overall demand far exceeding overall public supply. In the words of the 5th Plenary Session of the 13th CPC Central Committee, "China's existing national strength and social production cannot support our huge scale of investment and our seriously swelling public consumption demands." An official who attended the 5th Plenary Session has revealed that an unpublished document that came out of this session contains the following statistics that show the gravity of the economic crisis of being unable to make ends meet:

The PRC's national income increased only 70 percent from 1984 to 1988, while its public investment in fixed assets rose 214 percent, the cash income of its urban and rural residents rose 200 percent, and its internal debt reached a high of 80 billion yuan RMB (renminbi). Even though it has officially declared again and again that

China is fully capable of repaying its foreign debt, the PRC actually has very little foreign exchange on hand.

The crisis can also be seen in the critical imbalance between industry and agriculture. While average per capita grain output throughout China had reached 400 kg in 1984, it had dropped to 360 kg by 1988. Surplus rural manpower was diverted too soon to township enterprises and imported materials manufacturing industries, while investment in agriculture decreased year after year.

As to industrial output, there is a serious imbalance among China's basic industries, infrastructures (such as power), and manufacturing industries, its coal, oil, power, and rolled steel shortages are becoming increasingly serious, and it has also fallen far behind in its development of transport facilities. It has incurred much foreign debt in the past decade, which now amounts to \$40 billion.

These economic imbalances have caused the percentage of China's national income that is paid into state revenue to decrease every year since 1984. The PRC authorities have countered this by trying to control overall public demand through improving the economic environment and rectifying the economic order, and by putting into effect a "dual retrenchment" policy of tightening finance and credit. The 5th Plenary Session of the 13th CPC Central Committee has regarded continuing to carry out the "dual retrenchment" policy as a clever way of improving the economic environment and rectifying the economic order in the days to come.

### The "Dual Retrenchment" Policy Has Caused All Kinds of Problems

Although the "dual retrenchment" policy has apparently controlled public demand and inflation, it has also certainly caused new and more serious economic crises, such as a grave shortage of cash, a critical drop in industrial output, slumping markets, and severe overstocking of products, while still certainly not having eliminated the factors that caused the problems, such as the imbalance between supply and demand, structural imbalances, management chaos, or inflation.

An official from the PRC State Planning Commission has disclosed that Mainland China's industrial enterprises are now 20 percent short of their needed operating funds, and that production and management are relying mainly on bank loans. Since the authorities tightened money and controlled credit in 1989, enterprises have been unable to resolve their problem of much-needed supplemental funds. Comparing the first eight months of 1989 to the same period in 1988, 11.5 billion yuan (RMB and similarly hereinafter) less in operating fund loans were granted to industrial enterprises throughout China, while 75.1 billion yuan in funds were budgeted for industrial enterprise finished products, or 28.8 billion yuan more and a 58 percent increase. Tight money caused a sharp rise in loan payment arrears between industrial and commercial enterprises and the banking

sector. Incomplete statistics show that arrears in goods payments throughout China now exceed 100 billion yuan. Since many enterprises do not have the money to import raw materials or prepare for the next year's production, a severe slippage has occurred in industrial output.

The official from the State Planning Commission also revealed that improper communications and transportation development, as well as industrial growth, are now causing increasingly glaring transport capacity shortages in railway and coastal shipping. Railway freight transport guarantees key goods and materials, such as coal and grain, while crowding out others. Moreover, too many due bills and not enough money have created a coastal shipping capacity shortage.

The "dual retrenchment" policy has also caused a market recession, which officials call a market slump. For instance, a sharp monthly market slump began to occur in Guangdong Province in the third quarter of 1989. More than 10 billion yuan of commodities were overstocked throughout Guangdong and, although the mid-autumn festival and 1 October are usually the peak period for commodity sales, October was a busy month without much business instead. A NEW CHINA NEWS AGENCY dispatch said that China has as much as 220 billion yuan, or \$59 billion, of overstocked consumer goods in its warehouses.

#### **An Overall Slippage Has Occurred in Enterprise Production**

Slumping markets and the business sector having no money, and as they are afraid to purchase industrial enterprise products, have also caused an industrial slippage. The PRC State Statistical Bureau has announced that state-owned industrial enterprises realized 17.7 percent less profits and incurred 135 percent more losses in the first 10 months of 1989 than in the same period in 1988.

Other sources say that the industrial growth rate throughout China in September 1989 was 0.9 percent, while light industrial output decreased. Some officials think that with price increases being more than 20 percent, enterprises will not have very many profits and taxes to turn over to the state treasury if the industrial growth rate is less than 20 percent.

Not only has the industrial production slippage greatly reduced state revenue, but a great many factories have also halted or partially halted production. Workers in many factories not only are not receiving the bonuses needed for daily necessities, but also are being paid only 70 percent of their wages alone, or just 60 to 70 yuan a month, which is not enough to even pay for their meals. Although the official media has disclosed some information on how many enterprises throughout China have halted or partially halted production, it has not dared to publish specific numbers. An official from the Guangdong Economic Commission has revealed that as many as 300 to 400 factories throughout Guangdong Province

have stopped production. The city of Shenyang in Northeast China has more than 200,000 unemployed workers.

Not only state-owned enterprises, but also collectively owned township enterprises and self-employed workers have been hit by the "dual retrenchment" policy. In addition, shortages of raw materials and power have put many township enterprises in difficult positions. As a province in which township enterprises are relatively flourishing, Zhejiang has always paid one-half of its GVIO [gross value of industrial output] to the state in taxes. The concerned Zhejiang departments announced that after rising 8.7 percent in the first half of 1989, the output value of township industries throughout Zhejiang fell 11.3 percent in July, 7.4 percent in August, and continued to fall in September, being 7.4 percent less than in September 1988. While output fell steadily, losses rose steadily. Over 10,000 township enterprises throughout Zhejiang incurred losses amounting to 258 million yuan in the first eight months of 1989, or 48.7 percent more than in the same period in 1988. Over 20 percent of the township enterprises throughout Zhejiang Province do not have enough money to pay their debts, over 4,000 have gone bankrupt, and almost 1 million people are unemployed.

Although there are no accurate nationwide statistics on the subject, extrapolating from Zhejiang's statistics, it is estimated that about one-half of the township enterprises throughout China have gone bankrupt. Although conditions are better in because more of its township enterprises manufacture materials imported by foreign businessmen, there are still almost 6,000 workers there who are unemployed because their enterprises have stopped production. In addition, since there is so much overstocking of products by so many township enterprises, loan payment arrears in Guangzhou have topped 150 million yuan.

#### **How Can the Economic Situation in China Be Stabilized as Long as There Are "Five Shortages and One Problem"**

The "dual retrenchment" policy and heavier taxation have also made it hard for many self-employed workers to get by. Guangzhou has more self-employed workers because it was opened up to the outside world sooner. Although it had 110,000 self-employed workers at its peak, this number had fallen over 20,000 by the end of September 1989. A responsible person from the self-employment office of the Guangzhou Industry and Commerce Administration Bureau said that since self-employed workers are now changing their jobs, it is estimated that their number will continue to drop. The number of self-employed workers in all of Kuangtung Province has dropped over 30 percent.

The industrial production slippage, abandonment of capital construction projects, bankruptcy of township enterprises, and inability of self-employed workers to continue to operate, have left tens of millions of people throughout China unemployed or semiunemployed.



Even those who have jobs are having much trouble just basically supporting themselves and their families, because they are receiving only 70 percent of their wages.

Although the central government officials who are in charge of the economic sector as well as local authorities had hoped that China's leaders would be able to sense public feeling and come up with a sound strategy to resolve these problems at the 5th Plenary Session of the 13th CPC Central Committee that was held a few months ago, Jiang Zemin and Li Peng's statements and summaries still emphasized taking the situation as a whole into account, a planned economy, and continuing to carry out the "dual retrenchment" policy. Many officials think that not only will it be impossible to carry out a long-range policy of sustained, steady, and coordinated economic development, but also that at the first sign of disturbance or trouble, this huge army of unemployed workers will join up with the students to start another wave of protest against corruption, official profiteering, and economic recession, demanding food, democracy, freedom, and the removal of their incompetent rulers.

Although Deng Xiaoping has pointed out since the Beijing massacre on 4 June 1989 that economic slippage must be guarded against, it has become increasingly worse since August instead. And although Jiang Zemin has indicated the necessity of achieving as fast economic growth as possible in order to stabilize the situation, the policy decisions made at the 5th Plenary Session of the 13th CPC Central Committee can only put the economy in worse shape. And even in Guangdong Province which was reformed and opened up to the outside world first, Provincial CPC Committee Secretary Lin Ruo [2651 5387] has also admitted that difficult times are ahead. A senior official from the PRC State Planning Commission has also predicted that there will not be much improvement in coming years because of the "five shortages" (power, money, foreign exchange, raw materials, and transportation) and the "one problem" (slumping markets). How can the situation be stabilized as long as the economic slippage continues?

#### **Communism in China Is Declining Rapidly and at the Point of Death**

As to the political situation, everyone knows that the people on Mainland China have been choking with rage since the Beijing authorities used the high-handed tactic of thinking that political power grows out of the barrel of a gun to bloodily suppress and mount a large-scale interrogation of those who took part in the student democracy movement. In this interrogation, the authorities not only put everyone through an ordeal, but also made everyone tell who stirred them up to take part in the demonstrations and the particular circumstances, such as who took part in the movement with them, so that no one could escape unpunished.

During the student movement, the authorities used imported closed-circuit TV camera, that had been set up

to monitor traffic at major intersections in cities, such as Beijing, Shanghai, and Guangzhou, to monitor the student democracy movement instead. A responsible member of the press in Guangzhou went to Haichu Bridge during the student movement to support the students who were staging a sit-down demonstration there. When interrogated, he said that he had gone there merely to buy a newspaper. Who would have thought that his action would be recorded on closed-circuit TV, become "evidence" that he had taken part in the turmoil, and then be used to purge him.

Although the authorities may have thought that interrogations and purges could suppress people's dissatisfaction and anger, things have not actually turned out as they had hoped, and their high-pressure tactics have only made the masses angrier. When a shot of Deng Xiaoping appeared in a film that was being shown at a college in Guangzhou, the students booed him under the cover of the dark theater. People in certain areas have been forced recently to study the works of Mao Zedong again. It is understood that those who are being forced to study Mao's works are actually those who expressed dissatisfaction with the authorities' recent campaign to make them study Teng's speeches. Some students say that although ultra-"Leftism" was practiced during the cultural revolution, Mao Zedong himself said that "Anyone who suppresses students will come to no good end." As the Beijing authorities are now brutally suppressing and taking revenge on students and those who took part in the democracy movement, many people are cursing them and predicting that they will come to no good end.

As to the peasants, workers, and ordinary urbanites in Mainland China, although the authorities' bag of tricks, such as blocking the passage of information, standing facts on their heads, and stubbornly slandering the student democracy movement as a "disturbance" and a "counterrevolutionary rebellion" in the media and through the study of so-called seeking unity of thinking, may have fooled some cadres and people, a lot of instability still exists because of problems, such as the severe economic slippage, the increasing numbers of unemployed and semi-employed workers, the inability of retired cadres and workers to maintain their standard of living because their pensions are too low, and the decreasing incomes of self-employed workers and peasants due to increased taxes and dull markets.

Peasants and workers from the North who are fleeing from famine or unemployed because their township enterprises went bankrupt, have recently begun heading south to Guangdong Province again, which is adding to the severity of Guangzhou's public security problem. Some of the laid-off workers from other provinces who have hand guns, not only have committed armed robberies, but also have killed two people's policemen, which has threatened their sense of security.

In light of China's economic slippage, the uncertainty of popular support for the government, and the public



disorder in the PRC, in addition to the wave of democracy that has swept across the Eastern European countries and demanded that the communist party renounce one-party dictatorship, the Beijing authorities' continued cries for stabilizing the domestic situation are merely wishful thinking. Although Mao Zedong described capitalism as "declining rapidly, at the point of death" and "rotting away with every passing day," this is, in fact, a true description of the situation on Mainland China today, instead.

### Economists Give Views on Achieving Stable Economic Development

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[Article by Dong Ruisheng (5516 3843 3932) and Fang Lixin (12455 4539 2450): "Three Economists Discuss How To Prevent Big Swings in the Economy"]

[Text] In the 40 years since the founding of the PRC, in China's economic construction there have been several big swings. How is this phenomenon to be understood? What, in the final analysis, is its origin? Is there a way for curing this disease once and for all and for ensuring that the policy of a sustained, stable, coordinated development of the national economy for a long time is thoroughly implemented? The day before yesterday this periodical's reporters brought these questions to an interview with Professor Liu Guoguang [0491 0948 0342], vice president of the Chinese Academy of Social Sciences; Professor Gao Shangquan [7559 1424 0356], vice minister of the State Restructuring of the Economic System Commission; and Professor Wang Jue [3769 3778] of the Central Party School. They asked the three economists to give their views.

**The appearance of small fluctuations in economic development is unavoidable, but big swings are not a law; they show that China's national economy has not yet been put on the track of sustained, stable, coordinated development.**

[Reporter] The 5th Plenary Session of the 13th CPC Central Committee pointed out that, in the 40 years since the founding of the PRC, an important experience and lesson in the development of China's national economy is that there is an overanxiousness for quick results and there are big swings. Can you gentlemen discuss the situation in this respect?

[Liu Guoguang] We have carried out socialist construction for 40 years, but we have never been able to put the national economy on the track of sustained, stable, coordinated development. There have been very many errors, such as the "Great Leap Forward" of 1958, the "three breakthroughs" (1971-1972) in the Cultural Revolution period; the "Western Leap Forward" in 1978, and the economic overheating after 1984. Some scholars who have studied the curves in China's economic development over several decades think that periodic rises and falls are objective and unavoidable. I myself think

that small fluctuations are unavoidable but that big swings are not a law, and that the so-called periodicity in reality does not exist. Every fluctuation is a case of our subjectively hoping to develop a little faster, with the result that we wish to go far but cannot and want to go fast but rather slow down.

[Gao Shangquan] According to statistical data, from 1953 to 1978 China's social productive value grew on average 7.9 percent per year. In the highest year (1958) it grew 32.6 percent; in the lowest year (1961) it fell 33.5 percent. The former was 24.7 percent higher than the average rate; the latter was 41.4 percent lower than the average rate. Big swings like these are seldom seen. Big swings not only cause enormous economic losses, but also seriously dampen the political enthusiasm of the cadres and the masses and delay the progress of China's socialist development. Of course, in the 10 years of reform the situation has taken a turn for the better. From 1979 to 1988 the average growth rate was 11.2 percent. In the highest year, 1985, it was 17.13 percent; in the lowest year, 1981, it was 4.68 percent. The former was 5.93 percentage points higher than the average rate; the latter was 6.52 percentage points lower than the average rate. Comparing these 10 years with the 26 years before them, we see that although there were many improvements in economic stability, there was still the phenomenon of economic overheating and the economy was not put on the track of sustained, stable, coordinated development.

[Reporter] The 5th Plenary Session said that the big swings in economic construction were caused by the guiding ideology's being overanxious for quick results, which meant exceeding the national strength and being divorced from the national condition. How is this assessment to be understood?

[Wang Jue] From the dynamic viewpoint, on the one hand everybody wants our country to be run a little better and to be developed a little faster; on the other hand, precisely because our foundation is poor and our living standard is low, to prove that socialism is superior to capitalism, to satisfy the aspirations of the people, and to make the country rich and strong, we want faster development. Therefore, there was the Great Leap Forward in 1958. After the Cultural Revolution was over, there was the "Western Leap Forward," and at that time, under the circumstances in which the country's economy was afflicted with all sorts of ills, it was easy for everyone to accept it. In the course of these many years of reform, to achieve the four modernizations at an early date, it is reasonable to enliven the microeconomy, increase production, raise the living standard a little faster, and achieve the quadrupling. Although there have been several experiences and lessons, once our strength increases a little we still want speed. I feel that it is very easy for this mood of impatience to appear in a backward country that practices socialism.

[Gao Shangquan] Not only is there overanxiousness for quick results in construction, the psychology of overanxiousness for quick results also exists in reform. A prominent manifestation of this is that we once envisaged using five years' time to set up the foundation of a new economic system, and thought we would complete the changeover to the new system very quickly. The main reason for the appearance of this situation was a lack of an overall, profound understanding of China's national condition and a lack of a sober estimate of the country's strength.

[Liu Guoguang] We are a backward country. Since the early period after the founding of the PRC, we have eagerly hoped to "catch up with Britain and overtake America." This aspiration and this great ambition are understandable. However, because they did not jibe with China's reality, did not conform to China's national condition, and did exceed China's national strength, often the speed was very fast, the investments were very large, and since they came all at once the national economy could not bear them, resulting in China again falling behind. As the situation took a turn for the better, brows became fevered once more, and there again appeared a development that did not take into consideration the national condition and that exceeded the national strength.

[Reporter] It looks as if the guiding ideology's overanxiousness for quick results really was an important reason for the big economic swings. However, was there a connection between the fact that the mistaken guiding ideology could play this role and the corresponding mechanism?

[Liu Guoguang] The deeper reason was the defect in the mechanism. Simply put, the defect in the mechanism was the unitary administrative management system of the past in which there was no recourse and which excluded markets and enterprises. This was a "one big pot of food" system. It promoted inflation, particularly investment inflation. Under this system, funds were provided gratis and materials were allocated. Everybody contended for investment, projects, materials, and energy in order to establish achievements in one's official career. As for how to obtain results, that was nobody's business, because this was a "soft budget" system in which there was responsibility for profits but not for losses. At the same time this system brought about consumer inflation, which was caused by investment inflation because about 40 percent of the investment was turned into consumer funds.

In these years, during the process of reform much stress has been put on releasing rights and yielding interests, and the direction has not been bad, thereby arousing the enthusiasm of localities, enterprises, and individuals. However, some cases of going beyond the limit have caused a tendency for financial resources and material resources to be scattered, that is, the national income has been excessively tilted toward the localities, enterprises, and individuals, and the central authorities' capability

for regulation and control has been weakened. Microeconomic self-restraint mechanisms have also not been set up in the localities, so there is no self-restraint. There are many main parts in investment and interests, and this causes bullish inflation. Therefore, the current consumer inflation is not only, as in the past, spurred by investment inflation; it also occurs independently. Because, after prices rose, in order to protect the interests of staff and workers, bonuses were handed out desperately, there was an increase in all sorts of "gray" income, which in turn spurred inflation. Transferring financial rights to lower levels causes an increase in the localities' income, but in outlays, developmental projects are concentrated at the center, and the localities invested in processing industries. This also caused distortions in the structure: industrial development is overheated, and agriculture hesitates and does not advance; the processing industries rush headlong into action, and the energy and raw materials industries have long-term shortages; and in the localities there is a tilt toward short-term, average, rapid-results, and small enterprises, to the detriment of large- and medium-sized enterprises. All of these factors create in this economy an imbalance in gross output and a distortion of the structure, and cause price rises and inflation.

[Wang Jue] For a long time China had a centralized, planned distribution system. Under this "one big pot of food" system, in which manpower, financial resources, and material resources were all concentrated at the center, each area, each department, and even each enterprise wanted to get more manpower, financial resources, and material resources from the center and to engage in more projects. In this way, a given area, a given department, or a given enterprise could develop a little faster. Therefore, everybody contended for investment, projects, and raw materials. This year you get yours and he does not get his, next year he has to be given his, and the year after next someone else must be given his. Thus, a "climbing up and comparing" mechanism is formed, with the result that when everybody goes up together there is a big increase in the demand for investment. Because the distribution ratio for the provinces and the departments is inappropriate, an irrational structure is formed. At the same time, with this system there is no one to take the risk of investment, and after getting the investment and the project there is no one responsible for results. Thus, this system itself causes overheating in capital construction investment and overheating in production. In the past two years there has been a dispersion, after the dispersion there has been no comprehensive balance, and there has been more and more outside-plan investment. Because each department and each area practices revenue-sharing, they are willing to put money into short-term, average, and quick-results projects in order to increase income, and they cannot engage in long-term investment. Thus the structure becomes more and more irrational. Therefore, viewed from the angle of the system, excessive centralization and excessive dispersion both cause overheating in production and irrationality in structure.

**The key to overcome in the guiding ideology overanxiousness for quick results is making democratic and scientific policies, formulating a development strategy in line with China's national condition and national strength, and unswervingly putting economic work on the track of making the improvement of economic results the center.**

[Reporter] To prevent or eradicate the disease of overanxiousness in the guiding ideology, in future economic construction to what problems should we pay attention to solving?

[Wang Jue] I feel that a problem in guiding ideology that must be solved is that of making democratic and scientific policies. In this way we can insure a comprehensive balance in China's economic development. From a look at China's historical experiences, since principles and policies are better and more perfect, if the leaders' policy decisions are mistaken, it will be impossible to handle well the problem of effecting a comprehensive balance. Therefore, to insure that the party and the government leaders make correct policy decisions on major issues, the first thing to do is to make the Communist Party's policies democratic and scientific and also make it ordered. Through full and conscientious discussion, different plans can be provided for comparison and selection, after which the Central Committee will make a good decision. The party Central Committee fixes the correct major policies and general affairs, and the major policy decisions of the State Council are discussed and voted on by the NPC, CPPCC, and other democratic organizations. At the same time, some advisory bodies can be set up, which, with officially supported nongovernment bodies, will truly scientifically and realistically proceed to carry out demonstrations. They will supply different plans to the decision-making body for comparison, and, through certain legal procedures, for decision. In brief, we must make democratic and scientific policies. This is the fundamental guarantee for building socialism.

[Liu Guoguang] To do all we can to avoid mistakes and errors in strategy and policy, we must, as the 5th Plenary Session said, establish a long-term guiding policy for sustained, stable, coordinated development, and formulate a strategy for development in line with our national condition and strength. This point is very important and must be repeatedly stressed. Not only in the period of improvement and rectification, but also after improvement and rectification are completed, this guiding ideology must be upheld. Speaking of the present, we must truly understand that, in construction, reform, improvement and rectification, the difficulties and problems that we are now encountering have been accumulating for many years, and their solution involves a process. Many tasks cannot be completed in one fell swoop. Thus we cannot be overanxious for results in this respect.

[Guo Shangquan] After 10 years of reform, although there has been a big increase in our national strength, our economic results are still not high. (Kobayashi), an economist of the Industrial Bank of Japan, has made a

comparison of the investments and the yields of China and Japan. China's investment is not less than Japan's, but its output is much less. According to him, China's cement consumption is 2.3 times that of Japan, China's energy consumption is 1.6 times that of Japan, and China's steel materials consumption is 90 percent of that of Japan, but China's output is much less than that of Japan. In the period 1975 to 1987, the world's consumption of steel increased 100 million tons, of which China's increased 45 million tons while Japan's only increased 800,000 tons. This means that in our guiding ideology the establishment of a policy of sustained, stable, coordinated development; the putting of improving economic results in chief position in economic work; the stress, by all ways and means, on economic results; and the taking of the path of economic development in which investment is less, output is more, and results are higher—all this should become a common understanding of the entire party and of the people of the entire country.

**Establishing and perfecting microeconomic self-restraining mechanisms and macroeconomic regulating and controlling mechanisms, reorganizing and optimizing the industrial structure, and accelerating the exchange of the new and the old systems are the fundamental guarantee for eradicating the disease of economic overheating and achieving a long-term sustained, stable, coordinated development of the national economy.**

[Reporter] In the system what work should now be started in order to eradicate the mechanism causing economic overheating and to insure a good development of the economy?

[Liu Guoquan] After a year of improvement and rectification, initial results have been obtained, but the problem has not yet been completely solved. We must continue to work hard. This situation was caused by successive years in which total demand exceeded total supply. There are many internal and external debts. This year price rises have tended to slow down, and the market is in a slump. However, once there is a sign of a disturbance in this hidden purchasing power, people will not risk using it. Therefore, we must insist on total control, and we cannot immediately reopen the situation because of complaints of hardship at the lower levels. That would be dangerous. The central authorities are now very clear-headed about this. Activating some funds to solve the debt chain problem, selectively helping large- and medium-sized enterprises to resolve temporary difficulties, giving circulation departments the necessary purchasing funds, and so on and so forth—all these things are necessary. However, at the present time we absolutely cannot relax our grip on the money market; otherwise, all our previous efforts would be wasted, and we would follow the same old disastrous road that we did in 1986 and 1988.

The most important thing is to depend on the deepening of reform. At present improvement and rectification mainly depend on administrative measures. For



example, we depend on price subsidies to limit prices, which makes the financial burden too heavy, and also produces new price distortions, which are detrimental to structural readjustment. These measures must be taken, but it will not do to solely depend on them. We must, in accordance with the principle of integrating the planned economy with market regulation, deepen all the reforms, including price reform, enterprise reform, and macroeconomic regulation and control reform. The key to solving the mechanism problem is not to solely depend on administrative measures. At any time there is the possibility of a rebound of total demand inflation. Not only after improvement and rectification is finished will a rebound appear when administrative control is relaxed, but also there is the possibility of a rebound appearing in the period of improvement and rectification. Therefore, it is very important to establish on a sound basis microeconomic self-restraint mechanisms and macroeconomic regulation and control mechanisms; otherwise, the strategy for long-term sustained, stable, coordinated development will fail. This can only be done through reform. Of course, the first thing to do now is to improve and rectify, continue to control the total amount, switch the focus to structural readjustment, as quickly as possible operate mechanisms in which the inferior has been discarded and the superior has been selected, and make corresponding reforms in the social welfare mechanism and the insurance mechanism.

[Gao Shangquan] To solve the problems, which have been accumulating for many years, of loss of control of the total amount, structural dislocation, low results, and procedural confusion, we must, by means of integrating improvement and rectification with the deepening of reform, integrate economic measures, legal measures, and administrative measures. The problem of irrationality in China's economic structure not only is an industrial problem and a directional problem; it has a cause at a deeper level in the system. For example, the reason for irrationality in the investment structure is that the price system is irrational, the action of the main part of an investment lacks guidance, and the regulating function of tax revenue levers cannot be fully displayed. Also, the budget system is imperfect. The existing financial responsibility system has stimulated the localities to increase investment, develop production, and increase financial revenue. Under the drive of interests, local governments and departments at all levels contend for projects, set up "vendor stands," duplicate construction, and "draw a circle on the ground to serve as a prison," thereby aggravating local blockades and splitting the unity of markets throughout the country. Therefore, the situation is detrimental to the reorganization of the investment structure and detrimental to the improvement of economic results. In the present period in which centralized forces are carrying out improvement and rectification, reform must serve the attainment of the principal goal of improvement and rectification. In improvement and rectification we must deepen

reform, and in reform we must promote improvement and rectification. This is a dialectical unity. If we do not change the mechanisms and do not deepen reform, we will not be able to eliminate the mechanisms and conditions for the regeneration of inflation. Even if we stop the momentum of economic overheating, a new round of economic overheating could still occur. It would be difficult to achieve the goal of improvement and rectification, and it would be difficult for China's economy to take the road of inflation—compression—re-inflation—recompression. Therefore, we must gradually establish self-restraint internal mechanisms at all levels of governments and enterprises; form internal stabilizing and conditioning mechanisms for preventing economic overheating and investment and credit inflation; avoid big swings; improve results; and promote the sustained, stable, coordinated development of the economy.

During improvement and rectification the phenomena of slumps have appeared in market sales along with unsaleability of products, and there has appeared a situation in which difficulties, challenges, and opportunities existing side by side. It should be said that this is an opportunity to readjust the industrial structure and the enterprise organizational structure and to improve economic results. China's enterprise organization structure is irrational. It is both big and complete and small and complete, the degree of specialization and coordination in it is not high, and at the lower levels there are duplicative development points and duplicative production. At the present time, once there is a retrenchment some enterprises encounter difficulties, and I am afraid that when someone cries about it the retrenchment will be relaxed. We must continue to implement the policy of "two retrenchments" in finance and credit, and must continue to stimulate the enterprises that conform to the industrial policy, that have products that meet the need for sales, and that get good economic results. With regard to those enterprises that have very high energy consumption, big waste of raw materials, and poor economic results, we must, through reform, make them production's key factors for rational circulation and redeployment. If all the enterprises are stimulated, it will be impossible to readjust and optimize the industrial structure, and it will be impossible to improve economic results. The annexation and combining of enterprises not only is a necessity for optimizing the industrial structure; it is also a necessity for enhancing macroeconomic regulation and control. We must comprehensively apply economic measures, legal measures, and the necessary administrative measures to promote the annexation and combination of enterprises. The reform of the social security system is an important component part of the reform of the entire economic system. Accompanying the developing trend for China's population to become older, as well as the readjustment of the industrial structure and the enterprise organization structure, we must swiftly reform the social security system; in addition, we must establish a retirement



fund and an unemployment insurance fund in order to stabilize the economy and stabilize the society.

[Wang Jue] We must establish a macroeconomic regulation and control system that is able to operate normally, so that it maintains a comprehensive balance of the national economy. In the 10 years of reform, macroeconomic reform has either stood still or lagged behind, and now it must catch up. Of course, the macroeconomic regulation and control system should have planned guidance at its center, coupled with the accessory reforms in other respects. The key issue in planned guidance is to have a correct industrial policy and financial, banking, and other accessory services, in order to insure the implementation of this industrial policy and to insure a balance between total amount and structure. If we formulate the industrial policy well and if we coordinate well the financial, tax revenue, banking, currency, and labor policies, we can solve the problem of getting a long-term sustained, stable, coordinated development of the national economy without causing big swings.

Speaking at a more in-depth level, there is the problem in the economic system of how to eliminate the "one big pot of food." My view is that the "big pot of food" is one of property. If this problem is not solved, we cannot have a long-term sustained, stable, coordinated development of the national economy. Therefore, in the reform of the economic system we cannot evade the reform of the form of property. All the state's forms of public ownership cause a situation in which there is no separation between government and enterprise and in which no one takes the risk of handling property. If this situation is not changed, the property prices of our entire society will fall and everybody will desperately scramble for this money. In the past two years the outside-plan investment consisted of loans from banks and was also the state's investment. In the final analysis, "one big pot of food" was created. In any case, the money belonged to the state and money borrowed from the state could be spent as one pleased. If someone goes broke, what can be done to him? With everybody contending in this way for property, the interest on appropriation and loans is very small. If this problem is not solved, it will be impossible to overcome the problem of big swings. Therefore, we must explore new paths for solving the problem of the form our public ownership takes.

In brief, we must coordinate reform measures with improvement and rectification. Improvement and rectification should be a reform, because the reason at the deeper level for solving the problem lies in the system and is the creation of "one big pot" of property. Therefore, we must start with a reform of the system, and then we will be able to fundamentally solve the problem of getting a long-term sustained, stable, coordinated development of the national economy, thereby putting the economy on the track of healthy growth.

### Property Rights Transfers Viewed

HK1602073590 Beijing JINGJI CANKAO in Chinese  
23 Jan 90 p 4

[Article by Tian Yuan (3944 3293) and Ren Xingzhou (0117 5281 3166): "Develop Transfers of Property Rights; Promote Structural Readjustments"]

[Text] In the last analysis, readjusting the economic structure is principally carrying out the readjustment of the current credit balance of our economy (naturally including structural readjustment of newly added investment). Accomplishment of this enormous and difficult task needs the coordinated implementation of many policies and measures. Regarding the tasks of the effectively accomplishment of improvement and rectification and the readjustment of the economic structure, the development of the transfers of enterprise property rights will play an important role.

### The Significance and Role of the Transfer of Property Rights

Transfer of the property right of enterprises and improvement and rectification possess the relationship of mutual promotion and are mutually supplementing. Development of the transfer of enterprise property rights is beneficial to speeding up the realization of the targets of improvement and rectification. Its functions are as follows:

First, transfer of enterprise property rights helps in readjusting the structure of the credit balance and can promote the rational circulation and ameliorated reorganization of the essential elements of production. Readjusting the economic structure so as to enable the development of the national economy on the basis of a rational structure is one of the important targets in improvement and rectification.

Over the ten years of the reform, and facing an irrational economic structure, governments at various levels have devoted great efforts to carrying out several large-scale readjustments. Because of various causes such as the tendency to rely on readjustment of the increased volume rather than on the existing credit balance, or while for a time only watching cases of "closure, stoppage, amalgamation and transfer" but neglecting to set up a mechanism for regularly readjusting the existing credit balance of the economy and for the circulation of the essential elements of production, these various readjustments have failed to reap the anticipated results in such areas as readjustment of the enterprise structure. Due to the overheating of the economy, and the lack of coordination of certain reform measures, in recent years the problem of imbalance in the structure of the credit balance of our economy has reappeared and developed. The changes in the market conditions which appeared in the second half of last year have reflected this tendency from the sideline. Transfer of enterprise property rights, which has developed in the course of the reform, is a sort

of mechanism for rationally readjusting the credit balance of the assets and for the ameliorated reorganization of the essential elements of production. It makes the credit balance of the assets no longer in a coagulated state and, with regard to promoting the rational circulation and reorganization of the essential elements of production in different localities and different departments and among enterprises, it plays a special and important role.

Second, by means of the transfer of enterprise property rights, the operational efficiency rate of state-owned assets will be enhanced. Seen from the structure of the assets, due to the fact that large amounts of fixed assets laying idle or half-idle have existed among enterprises, those producing good results have lacked the conditions for expanded reproduction. In the case of enterprises producing poor results, however, they have in their hands large amounts of fixed assets and circulating funds. Seen from the structure of the products, the shortage of marketable products and the stockpiling of cold and stagnant products have coexisted. Under the current weak conditions of the market, this situation is particularly evident. By means of the transfer of enterprise property rights, the law of survival of the fittest holds sway, the assets of the weak enterprises will flow in the direction of the strong enterprises, and the aggregate benefits of the assets will be greatly enhanced.

Third, by means of the transfer of enterprise property rights, it will be possible, under the conditions of not increasing—or increasing to a lesser extent—social demand, to increase effective supply to a larger extent and facilitate the balancing of gross demand and supply. In the amalgamation of weak enterprises by strong enterprises, it is not necessary to put in more investment. All that is needed to tap the hidden productive forces is to do a little technical transformation or even improve management to make possible the effective utilization of the assets which have originally laid idle or have not produced good effects. This will enlarge the production capacity of the strong enterprises and thereby add to the supply of more marketable goods to meet market needs.

Fourth, transfer of enterprise property rights will facilitate the readjustment of the organizational structure of enterprises. The organizational structure of enterprises refers to the reciprocal relations and the structure of enterprises inside an industry or trade. Rationalization of the organizational structure of enterprises is one of the conditions for realizing the rationalization of the industrial structure. At the moment, the irrational industrial structure is to a large extent due to the irrational organizational structure of enterprises. This is manifested in the low degree of centralization of certain important industries, the output of their products, and in the failure to display the benefits of economies of scale. At the same time, most of the enterprises are "large and comprehensive" or "small but comprehensive" being plants of an all-round capability. There is a lack of rational division of work and cooperation among the enterprises. Readjusting and perfecting the organizational structure of

enterprises requires the coordinated implementation of policies and measures on various sides. Transfer of enterprise property rights will undoubtedly play an important role in readjusting the organizational structure of enterprises, appropriately raising the centralization degree of important industries and the output of their products, enhancing the effects of economies of scale of the enterprises, breaking the organizational form of the "large and comprehensive" and "small but comprehensive" enterprises and establishing a rational system of division of work and cooperation among the enterprises.

#### Need to Solve Well Several Problems

Gradually clarifying the relations of the property rights of state-owned enterprises. Transfer of enterprise property rights requires the objective clarification of the relations of enterprise property rights. In recent years, the problem of property rights has become one of the hot points in the realm of research on economic reform in our country, and has achieved active development and progress. Many comrades are of the opinion that so far as enterprises under the public ownership system are concerned, the problem of a clear demarcation of the property right still exists. There are many ideas on how to clarify the relations of property rights within the existing scope of the public ownership system. For example, with due consideration of the present reality of management at various levels of enterprises in our country, in the liquidation and accounting of assets we may divide existing state-owned assets into ownership separately by governments at various levels and gradually take the operational effects of the assets as an important criterion of evaluation or assessment of the governments at various levels. With the governments at various levels being responsible for the operation, management and transfer of the assets of their subordinate enterprises, this will enhance the operational efficiency of the publicly owned funds.

—Developing an operational entity of public ownership rights. In order to raise the operational efficiency of state-owned assets as one of the accomplishments in the reform, at present both the central government and the local governments have established management organs over state-owned assets. However, there is no clear-cut demarcation between the functions of these organs and the functions of financial departments and the relations between them have not been clarified. Seen from the angle of economic operations, management and control departments over property rights and operational entities of property rights should be separately established, relying on large enterprises, companies of a concrete nature and currency and financial organs to develop and from various kinds of stock-controlling syndicates. This is the road to the fostering and developing of operational entities of property rights. At present, theoretical research and actual practices on such a problem are all on a weak plane and need to be given adequate attention. This is an important link in enhancing the

operational efficiency of state-owned property rights and facilitating the movement and flow of the credit balance.

—Creating the necessary conditions for the establishment of a new order of transfers of enterprise property rights. At present, in the improvement and rectification, transfers of enterprise property rights are lumped together with the "closure, suspension, merging and transfer" of an administratively compulsory nature and hence are not up to standard. This is unavoidable at this special state of the improvement and rectification. However, if the transfer of enterprise property rights is taken as a constant or regular measure in readjusting the structure of the credit balance, then it is necessary to gradually set up a standardized order, embracing such problems as setting up in the whole country a number of markets for the transfer of enterprise property rights, promulgation of the relevant laws and statutes, determination of the rational forms for the estimation of assets, development of intermediate organs to render services in merging and amalgamation, and so forth.

—Putting into full play the role of financial organs in the transfer of enterprise property rights. Banks at various levels should employ their credit and loan measures to make smooth use of idle and wantonly used assets in the strong enterprises, facilitate the reorganization of the essential elements, avoid the practice of "inflexibility" under the current guideline of the double retrenchment, and assist the strong enterprises to merge funds so as to pass over the strain of the shortage of funds in the initial period of the transfer of property rights.

## PROVINCIAL

### Reasons for Working Capital Shortage Analyzed

90OH0310A Beijing JINGJI CANKAO in Chinese  
8 Jan 90 p 2

[Article by Zhou Baohua (0719 0202 5478): "Internal and External Aspects of Enterprise Working Capital Shortage"]

[Text] The shortage of working capital in enterprises today, and the reciprocal defaulting on loans, has produced a "default chain" that is difficult to break. Conversely, this has caused a shortage of funds throughout society. In seeking an effective strategy for "breaking the chain," it is necessary to clarify the reasons leading to the shortage of funds in enterprises. Recently, the correspondent looked into machine industry enterprises in Liaoning Province in an effort to find the answer inside and outside enterprises.

Machine industry enterprises in Liaoning are in mutual default on loans to the tune of 4.4 billion yuan. The increase in bank loans to these enterprises during the past several years has greatly exceeded the speed of increase in production. In 1988, for example, output value increased 12.64 percent, but loans increased 25

percent. In 1985, working capital used in the industry as a whole stood at 3.2 billion yuan. In 1988, it was 5 billion, and for the first nine months of 1989 it reached 6.014 billion, virtually all of the increase coming from bank loans.

The internal reasons for the shortage of funds in machine industry enterprises in Liaoning Province show up in the following ways:

*Enterprises' poor economic returns created the draining away of funds.* Enterprises have a huge amount of loans outstanding, the total amount of loans in some enterprises being nearly double the value of fixed assets. Since enterprises' earnings have not been good, profits have even been insufficient to repay interest on loans, and the products of some enterprises do not find ready markets. For the period January through September 1989, 1.978 billion yuan was tied up in products in machine industries throughout the province, a 600 million yuan net increase over the same period in 1988.

*Excess materials in storage tie up large amounts of working capital.* About 80 percent of the raw and processed materials that large and medium size enterprises use are purchased from markets; however, the markets do not offer raw and processed materials in all the varieties and at all the specifications needed, and prices also shoot up rapidly, so many enterprises have no choice but to overbuy and overstock them. As a result, materials build up in inventory, tying up large amounts of working capital.

Because they have less of their own funds to use, enterprises divert working fund loans to other purposes. In 1980, 40.14 percent of all working capital used in machine industry enterprises in Liaoning Province belonged to the enterprises themselves, but by 1988 only 17.16 percent of it did. The remainder derived entirely from bank loans, and when bank loans could not be obtained, the enterprises had no choice but to default on the payment of loans owing other enterprises.

*Dispersal of funds.* In the course of instituting the operations contract responsibility system, enterprises relaxed control and supervision over funds. Some enterprises then set up different accounts in banks, some finally having more than 100 bank accounts. This made it difficult for enterprises to plan the use of their limited funds, thereby intensifying the funds shortage.

The correspondent also found through investigation that, look at in terms of the external environment, the shortage of funds in enterprises is related to failure to take associated actions taken during a previous period.

The gross output value of China's industry is figured in terms of constant prices, but bank credit is calculated at prevailing prices. Thus, as a result of the rise in prices of raw and processed materials and products, the readjustment of product price ratios or the institution of fluctuating prices for the means of production leads to a corresponding increase in the amount of reserve funds.



production funds, or finished product funds used in enterprise production processes, and an increase in demand for working capital loans from banks. As a result of means of production price rises, machine industry enterprise loans for working capital increased more than 40 percent in Liaoning Province. During the past several years, the number of kinds of state taxes has also increased, and some tax rates have also been readjusted upward. However, the failure to take associated actions has meant a decline in retained profits for quite a few enterprises, and in some enterprises, the limited amount of retained profits has been frequently eaten up by welfare and bonus payments, making it extremely difficult for enterprises to supplement their own funds. Today, more than 90 percent of the 100 large- and medium-sized machinery enterprises in Liaoning Province have insufficient funds of their own. In addition, the state has curtailed investment in fixed assets, causing a corresponding reduction in orders for machinery and a consequent increase in the amounts of finished products that enterprises carry in inventory. Meanwhile, development of new products requires an increase in working capital.

Persons concerned have suggested that the problem of easing the working funds shortage in enterprises will have to be tackled in multiple ways. Externally, in view of the present situation in which countless enterprises are engaged in the production of fixed assets and banks alone provide working capital, the control system for enterprises' working capital will have to be reformed, increases in enterprises' working capital being based on increases in production factors such as raw and finished materials. In addition, units concerned will have to organize, coordinate, and cooperate to use the limited amount of start-up funds where they will be most effective.

Internally, retained profits of enterprises will have to be used rationally, priority going to working capital and funds for technical transformation, funds for welfare and bonus payments coming last. Furthermore, the percentage by which enterprises are to supplement their own working capital, and their responsibility for doing it will have to be spelled out, the functions of the "in-house bank" being increased in an effort to tap funds potential. "Triangular debts" will have to be settled, with the emphasis on starting with one's own enterprises, those owing actively repaying, and those owed organizing to spur receipt.

#### **Beijing Industrial Contract System Exceeds 1989 Revenue Target**

40060029A Beijing JINGJI CANKAO in Chinese  
24 Jan 90 p 1

[Summary] According to news from the Beijing Industrial Reform and Development Guidance Committee, in 1989 Beijing's industrial contract system exceeded its revenue target by more than 220 million yuan. Of the 463 industrial contract enterprises in Beijing, 405 (87.5

percent) exceeded their revenue targets by more than 280 million yuan. The 58 remaining enterprises fell short of their targets by 55 million yuan. These enterprises will use their own capital or risk funds to pay the balance owed.

In the past 3 years Beijing's industrial contract enterprises have turned over 4.136 billion yuan to the state, exceeding contract levels by 636 million yuan, or 18.2 percent. In 1989 various external factors reduced the system's profits by 2.6 billion yuan, equal to 76 percent of 1988 profit levels. Nonetheless, Beijing's total financial revenues reached 7.1 billion yuan in 1989, a 4.2-percent increase over 1988.

According to the contracts, part or all of excess revenue shared by local and central finance departments should be returned to enterprises. This year 140 million yuan will be returned. Enterprises have already received 78 million yuan in advance, in order to help solve funding problems.

Beijing has 555 industrial enterprises which link wages to economic benefits; 179 enterprises have seen economic benefits fall and thus, according to regulations, must reduce wages. However, since the situation is due to external (keguan) factors, Beijing municipality has decided to guarantee 80 percent of workers' wages itself, with the city, responsible departments, and the enterprises sharing responsibility for the remaining amount. Beijing will review and decide each enterprise's case individually.

#### **Fujian Achieves Balanced Budget in 1989**

90OH0367C Fuzhou FUJIAN RIBAO in Chinese  
3 Jan 90 p 1

[Article: "1989, A Year of Victorious Advances—Budget Balanced; Revenues Exceed 5 Billion Yuan in 1989"]

[Text] This correspondent learned the following from advanced workers in the finance and tax system throughout the province, and from a telephone commendation meeting for an advanced collective. As of the end of November 1989, Fujian Province's financial revenue's amounted to 4.75 billion yuan in a 5.8 percent overfulfillment of plan for the entire year, up 33.1 percent over the same period in 1988. Government financial expenditures of 4.64 billion yuan fulfilled 90.6 percent of annual plan, and increased 23.7 percent over the same period in 1988. A fine job was done on both receipts and expenditures, and forecasts call for a balanced budget for the province during 1989.

During 1989, a policy of improving the economic environment and restructuring the economic order, and of deepening reform was diligently implemented in the province's financial and tax work. The temporary difficulties occasioned by the overheating of the economy, the inflation of investment and consumption, and conflicts between supply and demand were overcome, and marked achievements were scored in efforts to increase



revenues and rigorously control expenditures. A fine situation occurred in financial revenues during 1989 in that they were ahead of the annual plan schedule, and ahead of the speed of industrial production throughout the province, breaking the 5 billion yuan mark at the end of 1989. The financial receipts and expenditures picture was good in 1989, with financial and tax units at all levels energetically conducting a campaign of "support, help, and urge along" to sustain the development of state-owned large and medium-sized enterprises, to nurture sources of revenue, and to do more to assemble revenue.

### Conference Outlines Fujian Economic Goals for 1990

900H0367B Fuzhou FUJIAN RIBAO in Chinese  
17 Jan 90 pp 1,4

[Article: "Provincial Conference on the Planning of Government Financial Work Lays Out Economic Tasks for 1990"]

[Text] The five-day long provincial conference for the planning of government financial work ended on 15 January. Acting in the spirit of Comrade Jiang Zemin's speech during his inspection of Fujian Province, and of the 11th (Enlarged) Meeting of the fourth provincial CPC Committee, the conference diligently carried out a policy for further improving the economic environment and restructuring the economic order, and for deepening reform, laying out the province's economic tasks for 1990.

The conference summarized and reviewed the province's economic situation during the past year, and it analyzed the difficulties and problems, opportunities and challenges that might be confronted during the coming year. It maintained that 1990 will be a key year for realizing the six objectives that the province has to attain in improving the economic environment and restructuring the economic order. All planning must reflect further strides toward these objectives. The conference formulated a guiding thought for planning during 1990 that took account of realities in the province as follows:

- Continued expansion of the opening to the outside world while improving the economic environment and restructuring the economic order. Continued experiments with comprehensive reform, and continuation of special policies and the use of flexible measures for steady development of an externally oriented economy that focuses on economic and trade cooperation with Taiwan, widening avenues for the opening to the outside world, and taking the initiative in acquiring capital, resources, technology, and markets abroad.
- Readjustment of the industrial structure should be given a prominent position in the course of improving the economic environment and restructuring the economic order. Planning should aim at achieving increases, but it should also call for vigorous readjustment of stocks in being (cunliang 1317 6852) as

industrial policy requires in order to turn around the preoccupation with speed, the ill-advised expansion of the scale of production, and the pattern of nonintensive management that has grown up over the years in order to hasten progress in making the industrial structure more rational.

- Everyone has to lead a genuinely lean life. Belt tightening should be the watchword in all expenditures, in the building of production, and in the people's daily lives. In particular the tendency to compete blindly in the construction of large buildings and the building of dormitories that exceed standards without regard for the province's circumstances or capabilities must be resolutely halted. In addition, attention must be given to overall planning that takes all factors into consideration, and that takes account of present and future possibilities in accordance with the principle of overall balance in the national economy, both insuring availability of needed reserve strength for development of the entire economy, and also taking into consideration the various serious problems that actually exist. Everyone should lead a lean life so that the whole society can get by.
- In the course of improving the economic environment and restructuring the economic order, attention should be devoted to improving macroeconomic regulation and control capabilities. During 1990, the emphasis of reform should be on improved macroeconomic control, effecting necessary readjustments of prevailing economic benefit relationships, and suitably increasing the province's macroeconomic regulation and control capabilities.

Guided by the guiding thought for planning, the conference set major goals for the province's planned macroeconomic regulation and control during 1990 as follows:

1. A planned 16 percent rise in retail prices.
2. A planned investment in fixed assets conforming to the 5.258 billion that the state prescribed (not including central government investment), in addition to substantial progress in attracting foreign capital, overseas Chinese capital, Taiwan capital, and in the building of Taiwan businessman investment zones.
3. Maintenance of substantial balance in government financial, loan, and foreign exchange receipts and expenditures during the year.
4. A 4 percent growth in agriculture, output value reaching 9.25 billion while improving economic returns and readjusting the structure of industry; an 89 percent growth in industry, output value reaching 38.5 billion yuan; and gross national product growing by approximately seven percent.

Every effort is to be made to hold the natural rate of population increase within 11.33 per thousand.

In accordance with the guiding thought for planning, and the goal of regulating and controlling the macroeconomy, the conference called upon all jurisdictions and all sectors to devote close attention to the following several tasks:

- Vigorous attention to agricultural production to insure consistent increases in the yields of grain and other principal agricultural products. Implementation of the various policy measures for strengthening agriculture that the Central Government and the enlarged meeting of the provincial CPC committee prescribed, genuinely strengthening leadership of agricultural production, all trades and industries energetically supporting agriculture, investing more funds in agriculture, increasing material inputs in agriculture, closely looking after basic facilities, vigorously organizing the spread of agricultural science and technology, actively developing economic diversification, and doing a good job in developmental agricultural production. In addition, further attention should be devoted to work in escaping from poverty to become wealthy.
- Accelerated readjustment of the industrial structure to improve economic returns, and to insure suitable growth of industrial production. Already announced industrial structure readjustment plans must be rigorously implemented. No prefecture, municipality, or unit is to plan further investment in projects and products for which the province has decreed restrictions and elimination. Furthermore, firm action should be taken to curtail the supply of loans, energy, and raw and processed materials to them. For large and medium size key enterprises, and enterprises consistent with the thrust of industrial development and that show good returns, a "tilt" policy should be emphasized. They should be given preferential treatment in terms of foreign exchange, materials, and tax collections. Enterprises should be encouraged to develop new products, and to apply new techniques enabling them to shift truly to a path of reliance on technology to get ahead. All entrepreneurial units should also use the opportunity that improving the economic environment and restructuring the economic order provides to focus on the domestic situation, using technical progress and improved management to take an essentially inward-looking path of development.
- Continued curtailment of the scale of investment in fixed assets, concentrating energies to insure the building of "reserve strength" projects, and continued control of consumption demand. Appropriate arrangements should be made for the daily life of the people with overall stabilization of price levels. In government financial work, a firm grip should be taken on the key task of curtailing financial expenditures, vigorous efforts made to increase revenues and reduce expenditures to effect a balance between government financial receipts and expenditures. The opening to the outside world should be enlarged, restricting imports while increasing exports to bring

about a balance during 1990 between foreign exchange receipts and expenditures. Serious attention should be given to the development of science, education, and health facilities, and to rigorous control of population increase.

In conclusion, the conference reiterated the need to abide by the instructions that General Secretary Jiang Zemin gave during his inspection of Fujian Province at the end of 1989 in which he ardently hoped that "Fujian's reforms and opening to the outside world would both continue, and be carried out faster and better," reform and opening to the outside world continuing during the process of improving the economic environment and restructuring the economic order. The correlation between assuring no changes in basic policies and readjusting certain aspects of economic policies should be correctly handled. During the process of reform and opening to the outside world, Fujian Province has formulated numerous policy measures for invigorating the economy and developing the economy that have played an important role. No jurisdiction or unit may change them at will, much less can they abolish or retract them. Instead, they should continue to carry them out diligently, and to perfect, enhance, and improve them steadily as objective realities require.

The conference reiterated that political and ideological work is an important support for good performance of economic work and all other work. All positive factors should be marshaled to do a better job of improving the economic environment and restructuring the economic order, and for carrying out reform and opening to the outside world in the province to spur advance of the national economy.

#### **New Power Plants To Ease Guangdong Power Shortage**

900H0367A *Guangzhou NANFANG RIBAO in Chinese*  
16 Jan 90 p 1

[Article by Wang Dekuan (3769 1793 1401): "Dip To Occur in Guangdong Province's Power Supply in 1990—Provincial Electric Power Bureau Director Replies to Correspondent's Questions"]

[Text] Guangdong Province has had an electric power shortage for a long time. As the year begins, people are anxious to know what the power supply situation will be in 1990. In this connection, the correspondent, Wang Dekuan, recently interviewed Guangdong Province Electric Power Bureau director, Chen Gang [7115 1511].

[Wang Dekuan] What will our electric power supply situation be in 1990?

[Chen Gang] By and large, the electric power supply situation in 1990 will continue to be grim, but it will vary at different times. During the first quarter, or approximately January to May, the conflict between supply and demand for electric power will ease relatively. By summer and during the third quarter, there will be an

electric power supply shortage, with an estimated approximately 30 percent shortfall. As new generating units come on stream toward the end of the year, the situation will improve somewhat.

[Wang Delian] Why will this dip occur?

[Chen Gang] Why will the electric power supply situation be pretty good during the first part of the year? This is due, in part, to the control over investment in fixed assets as part of improving the economic environment and restructuring the economic order, which causes a slowing of economic development in comparison with the previous two years. Forecasts call for no high speed growth in industrial production during the first half of 1990 for reasons associated with funds and markets. Additionally, during the last half of 1989, a number of new electric power generating units came on stream in the province's electric power grid, increasing power supply capacity. Preliminary statistics show that a total electric power generation installed capacity of 783,400 kilowatts came on stream during 1989, including large- and medium-sized units generating 600,000 kilowatts of electricity, up 13 percent from 1988. Some of them did not begin operating until the end of 1989. Therefore, relatively speaking, the electric power supply situation during the early part of 1990 is not so strained. As the weather becomes sweltering with the arrival of summer, the amount of electricity needed to lower temperature will increase. Additionally, the speed of development of industrial production will revive to a certain extent during the last half of the year, causing an increase in power consumption. Electric power will tend to be in short supply. As new generating units come on stream toward the end of the year, the situation will improve somewhat.

[Wang Dekuan] Why will there be new advances in electric power generation in the province during 1990?

[Chen Gang] During 1990, the province will continue to hasten construction of the electric power industry, focusing on insuring that a number of electric power generating units are completed and go into production. This will realize the goals contracted for the development of electric power during the Seventh 5-Year Plan, and lay the groundwork for the development of electric power during the Eighth 5-Year Plan. It will make enable a quick response to the province's demand for electricity for both development of the economy and for the people's daily life. Initial plans call for the construction and coming on stream during 1990 of large and medium size electric power generating units producing 675,000 kilowatts of electricity. This will include 300,000 kilowatts from the No 6 power generating unit of the Huangpu Power Plant, 200,000 kilowatts from the No 9 power generating unit of the Shaoguan Power Plant, 125,000 kilowatts from the No 1 power generating unit of the Yunfu Power Plant, and 50,000 kilowatts from the No 1 power generating unit of the Meixian Power Plant. A

number of small hydro and thermal power generating plants will also come on stream in various cities and counties.

### Proposals To Reinforce Shaanxi Economic Structural Reform

Beijing ZHONGGUO JINGJI TIZHI GAIGE  
[CHINA'S ECONOMIC STRUCTURE REFORM]  
in Chinese No 11, 23 Nov 89 pp 50-51

[Unattributed article: "The Shaanxi Restructuring Commission Puts Forward Work Suggestions to the Provincial Government"]

[Text] The Shaanxi Restructuring Commission has made some suggestions to the provincial people's government on strategic policymaking decisions associated with some major problems of current economic structural reform, and the provincial government has replied and passed on the instructions to the entire province for implementation. These suggestions may be summarized as "strengthen two areas, keep four areas unchanged." The key points are as follows:

1. Strengthen macroeconomic regulation. At present, and for a period into the future, emphasize proper handling of the following several items: a) persist in the mutual integration of the planned economy and market adjustments, and make planning capable of adjusting and directing the economic development of the entire society; b) vigorously and safely push forward investment in structural reform, and on the basis of national industrial policy, adjust economic structures, implement rational investment slanting policies, and optimize resource allocation; c) strictly control the issuing of currency, implement an orderly credit policy—one which favors the needy and restricts bad loans—conscientiously strengthen the guidance, regulation and administration involved in budgeting of foreign funds and consumption funds as well as that involved in the management orientation in economic units not under ownership by the whole people and the conduct of management; d) strengthen the handling of tax revenue collection, especially the collection work for privately owned (operated) enterprises, income tax for individual households engaged in industrial and commercial enterprises, and personal income regulatory business taxes. At the same time, it is necessary to conscientiously investigate and solve problems of unfair social distribution; e) strengthen and consolidate the audit supervision system, strengthening particularly the audit of capital construction, the expenditures of administrative institutions, consumption fund allocation, and circulation activities. It is also necessary to vigorously promote reforms that are beneficial in curbing inflation, control social needs, properly guide consumption, and promote a balance of revenue and expenditure.

2. Strengthen the reorganization of the order of circulation. First it is necessary to reorganize the market order. The keys here are the reorganization of wholesale links, commercial corporations, country fair trade markets and



individual vending points, in order to realistically solve the problems of disorderly channels, too many links and of buying low and selling dear (profiteering) within the wholesale trade. In addition, it is necessary to persist in the suppression of uncertified business and black market transactions, and strongly crack down on the manufacturing and marketing of counterfeit and inferior products and such illegal acts as the driving up of prices and controlling the marketplace (by bullying and terrorizing competitors). Special groups and forces must be organized for the complete overhauling and reorganization of companies. Second, while many of these channels of circulation are put into effect, full play must be given to the functions of the primary channels of state-operated industry, commerce, goods, and materials enterprises. It is possible to consider providing them with certain requirements and measures in order to give full play to their functions associated with smoothly bringing down prices, regulating supply and demand and stabilizing the market. Third, the control of prices must be regarded as a major measure to be continuously given attention and handled properly in order to stabilize the economy and preserve social stability. Leadership at every level must be responsible for the task until it is completed, and must strengthen price management (supervision).

3. Persistence in the implementation of the factory director (manager) responsibility system should remain unchanged. To comprehensively push forward the factory director (manager) responsibility system, in light of what is beneficial to strengthening the enterprise production and management policymaking system development, beneficial to strengthening enterprise party building as well as ideological and political work, as well as beneficial to arousing the enthusiasm of vast numbers of workers and staff, it is necessary to strengthen the principles of democratic management and closely integrate the three issues of making the factory director (manager) fully responsible, having the party committee provide supervision and implementing democratic management of the workers and staff. One of these items cannot be neglected at the expense of the others.

4. Maintain the various forms of the contract management responsibility system unchanged. We should fully affirm that the various forms of the contract management responsibility system that are widely practiced in Shaanxi Province conform to the stipulations of the overall goals and overall direction of reform as well as the "enterprise law" defined at the 13th National Party Congress; we must persevere and we cannot waver. At present, there are still some imperfections and irregularities associated with the contract management responsibility system, the main problems being that the determination of the contract base figure is not sufficiently rational nor sufficiently scientific, and a small number of contract enterprises display short-sighted behavior, etc. For this reason, in light of what is beneficial to enhancing enterprise vitality, increasing national income, strengthening macroeconomic regulation, and promoting a spirit of technological progress, as well as using a method of

exploring solutions in the course of practice, we should promote the stability, completeness, perfection and development of the contract management responsibility system.

5. Maintain unchanged the concept of agricultural reform as key. The government work report of this year's Second Session of the Seventh Provincial People's Congress clearly pointed out the need to center on the optimization of agricultural structures and the development of an agricultural commodity economy, and to regard the stabilization of the household responsibility system, the perfection of two level management and the strengthening of the service system as the key points in deepening agricultural reform. This is in complete conformance with the agricultural reality (conditions) of Shaanxi Province, and we should adopt such measures and vigorously implement them. In order to benefit the rational management and circulation of land, in places where there is much land but few people or where agricultural is undeveloped, it is possible to differentiate ration fields and responsible fields (a plot of land contracted out to an individual or household by the collective), and implement a "two field system." At the same time as the household responsibility system is stabilized, it is necessary to take the construction of a regional-oriented cooperative economic organization as primary, gradually forming a dual-level management system combining separate household contracting but uniformed services. This is the major measure associated with the second step of agricultural reform and is also the ardent desire of large numbers of peasants. The one major task of the perfection of two level management lies in providing service to peasants before, during and after production, and this requires strengthening of the construction of a rural social services system. In light of the requirements of the development of commodity production, and starting from the links which peasant production management urgently demands be worked out, we must gradually establish a diversified economic sector and diversified economic patterns, with a diversified service content and a coordinated, complete and fully functional system, which takes the county as the core, the rural areas as the main body, the village as the foundation and takes local direction as a network for replenishing rural social services, thereby taking the development of the Shaanxi Province rural social service system to a new stage. We should strive to achieve success within the next three years.

6. Maintain the already-implemented open-door policies regarding the reform.

**Shaanxi Officials Review 1989, Plan for 1990**  
90OH0369A Xian SHAANXI RIBAO in Chinese  
16 Jan 90 p 1

[Article by Ren Ji (0117 0165): "Shaanxi Work Conference on Planning Closes"]

[Text] A five-day provincial work conference on planning ended on 15 January. Leading comrades from the



provincial CPC Committee, the provincial advisory committee, the provincial People's Congress, the provincial government, and the provincial discipline commission attended the conference. Zhang Boxing [1728 0514 5281] and Hou Zongbin [0186 1350 6333] came at separate times to speak.

The conference was of the opinion that Shaanxi's 1989 economic plan was properly implemented and that improvement and rectification have initially been a success. The principle manifestation of this was: in the strengthening of agriculture, with total grain output reaching 20.7 billion jin, a record high level; in the appropriate growth of industry, with the product mix being somewhat adjusted; in achieving initial control of fixed assets investment, with 32 projects being suspended or cancelled in 1989, thus cutting investments by more than 100 million yuan; in an improved situation with respect to currency being returned, which by the end of November 1989 amounted to 1.559 billion yuan more than for the same period in 1988; in the market tending toward stability, with prices of 14 types of personal necessities and labor services by and large stabilizing, with prices of the principle sideline products such as meat, eggs, and vegetables becoming stable or tending to decline, and with prices of brand name cigarettes, brand name liquor, color televisions, and refrigerators dropping sharply; and in exports continuing to grow, with a 5.6 percent increase in 1989 exports compared to 1988.

The conference presented the goals for which Shaanxi should strive in 1990 in its economic work: a gross output value for industry and agriculture of 37.4 billion yuan, a 7.2 percent increase compared to 1989; a gross national product of 37.4 billion yuan, a 6.5 percent increase compared to 1989; and a national income of 30.7 billion yuan, a 6.5 percent increase.

In discussing the focus of economic work this year, Governor Hou summed it up as: "Seeking stability, encouraging genuine enthusiasm, readjusting the structure, and improving efficiency." If we are to complete the national economic plan for 1990 while facing the grave prospect of a weakened market and a shortage of funds, Hou feels we must put the following changes into effect: first, shift from seeking speed by relying solely on external factors to seeking efficiency by overcoming difficulties; second, shift from extensive reproduction that relies on loans and increased investment to intensive reproduction that relies on technical advances and on low input to produce high output; third, shift from development that relies on reduced taxes and profit concessions to improving economic mechanisms that increase vitality; fourth, shift from relying on increases in commodity prices for profits to doing everything possible to tap potential, reduce waste, and improve efficiency; fifth, shift from relying on excessive demand to guarantee sales to working hard at developing products that have a ready market and developing both the domestic market and the international market; and sixth, shift from relying purely on economic means to

stimulate enthusiasm to combining material rewards with spiritual rewards by instilling in the cadres and masses a high sense of responsibility as masters of their own house and a zeal for selfless labor.

In discussing the earnestness needed to support the state plan, Secretary of the Shaanxi CPC Committee Zhang Boxing declared that, if we are to complete the state guidance plan, we have to take further steps to implement improvement and rectification and to deepen reform. However, in recent years, it has been fairly common to ignore the state plan and to violate it. Some localities and enterprises have been unable to complete on schedule or according to specifications the planned production of major products assigned by the state. It has been difficult to achieve, according to plan, the allocation of materials and goods earmarked for unified distribution. It has been difficult to guarantee the construction of the state's key project when year after year the plan's controls and targets are infringed by raising investment funds independently for various items. The wages and bonuses being granted workers and staff are also out of control. These situations cannot continue any longer.

Zhang Boxing said that, if we are to strengthen our earnestness in carrying out the plan, we have to conform to the overall situation and overcome decentralization. The state plan cannot be changed by any department, locality, or individual person without authorization. Furthermore, the relationship between the part and the whole must be correctly handled. We cannot harm the overall interests of the state for the benefit of one's own department, locality, or enterprise. We must properly handle the relationship between the present and over the longterm. Whenever there is a conflict between the present interests of certain localities, departments, or units and the long-term interests of the state, the long-term interests must be conscientiously given precedence.

## FINANCE, BANKING

### Role of Taxation in Regulating Social Distribution

900110,88A Wuchang HUBEI RIBAO in Chinese  
26 Jan 90 p 2

[Article by Hu Jinshan (5170 6855 1472), Director, Provincial Tax Bureau: "Increasing the Regulatory Function of Taxation, Alleviating and Resolving Unfairness in Social Distribution"]

[Text] During the 10 years of reform, China has made progress in establishing a distribution system with a variety of distribution forms, but dominated by the principle of distribution according to work performance. While aiming at common prosperity for all, some people have become prosperous in advance of others, either through honest work or legitimate business operations, and the standard of living of the urban population has risen quite considerably. However, we must also notice

that the trend toward egalitarianism in social distribution has not yet been fully overcome, and that new phenomena of unfairness in social distribution have occurred, namely wide disparities in incomes between different members of our society. This disparity is very large between salary/wage-earning employees, workers, cadres, intellectuals and the many employees in nonproductive companies, also compared to some persons in the "secondary occupations," and especially also compared with some employed in privately owned enterprises and with individual workers, a fact which has attracted widest attention among the public at large and aroused strong resentment among the masses. The CPC Central Committee has therefore designated the need to resolve this problem and to alleviate and resolve this unfairness in social distribution as one of the important tasks of the current campaign to improve the economic environment, rectify the economic order, and deepen the reform. This clearly indicates to us that we must resort to the lever of taxation, in combination with other economic levers and the economic policy in general, to regulate the income levels of members of our society, in order to resolve and alleviate the contradiction of unfair social distribution.

Under the conditions of socialist commodity economy, taxation is an important economic lever available for the state, and as such plays an extremely important role in regulating individual incomes and in alleviating unfairness in social distribution. Through the collection of individual income adjustment tax, the state is directly regulating and controlling excessive incomes by individuals. Through the collection of income tax on state enterprises, income tax on collective enterprises, income tax on private enterprises, income tax on urban and rural individual industrial and commercial entrepreneurs, taxation of bonuses, and the wage adjustment tax, the state indirectly regulates and controls individual incomes. By setting tax brackets and different rates of taxation, the state furthermore implements a policy of reductions and exemptions, defines the extent of its regulation and control, realizes the objectives of regulation and control, and achieves fairness and rationality of social distribution. No other form of distribution or other economic lever can substitute for this special regulatory and control function of taxation; it is the very function of taxation. However, because of the slackening in propagandistic education among the entire population on the subject of the legal complex of taxation, the broad masses of our citizens have a very poor understanding of taxation, have not generated a correct concept of taxation, and have also not formed proper taxation habits. In addition, the way taxes are collected and administered does not yet completely conform to the needs of actual developments; as well, there is the problem of lax law enforcement. The result is that taxation has not effectively functioned as regulator of individual incomes. Some members of our society will incorrectly fulfill their tax obligations, and will rely instead on tax fraud and tax evasion to line their own pockets, especially individual, industrial, and commercial entrepreneurs and private

enterprises. Quite a few people have made exorbitant profits by illegal business operations and tax fraud and evasion, becoming upstarts with 10,000, 100,000, and even millions of yuan. This has undoubtedly aggravated the contradiction of unfair social distribution, and must be earnestly resolved.

The fundamental way to eradicate the unfair social distribution is to deepen the reform, and the way to achieve a comprehensive cure is to utilize all the means of economic and administrative law. Viewed from the tax angle, it means that we have to actively perfect our tax system, deepen the reform of tax collection and tax administration, strengthen the role of taxation in the adjustment of social distribution, alleviate and resolve the contradiction of new phenomena of unfairness in distribution, and make a substantial contribution in the spirit of Comrade Jiang Zemin's speech on the occasion of the 40th anniversary of the founding of the PRC.

1. Establishing a perfect system of taxation for the regulation of individual incomes. In the course of the last few years, China has set up various tax categories for the purpose of establishing a system of regulating personal incomes, a system that will meet the needs of the socialist economic reform and economic development. Looking at the actual results, we see that the system urgently needs readjustment and improvements. Particularly in need of perfection is the tax on natural resources. The differential income generated due to the difference in quality of the natural resources must be turned over to the state, thus eliminating unequal benefits in profit distributions caused by the resource factor, which directly affects the distribution of the resource consumption; this would facilitate a more rational distribution of individual incomes. Strengthening the regulatory rigidity of the income tax system, having taxpayers of different economic categories compete on an equal basis, and incomes rationally distributed. Strengthening the function of the individual income adjustment tax and other such tax categories that directly regulate distribution of individual incomes. Effectively adjusting the excessive incomes of some members of society, and, while our objective is the common prosperity of all, ensuring implementation of our policy which allows some people to become prosperous in advance of others through legitimate business operations or honest work.

2. Launching widespread and deeply penetrating tax propaganda activities, increasing the clarity of tax laws and regulations and the enforcement of tax laws, raising the consciousness of all citizens as to their tax obligations, raising their fundamental good sense of assisting in tax matters and protecting the tax institution, also creating the best social environment for the alleviation and resolution of unfairness in individual income distribution and taxation. On the one hand we must utilize the tool of the public media, propagandize tax policy and tax laws and regulations, increase knowledge about tax obligations among the vast number of taxpayers, and on the other hand we must make generally known typical cases of tax fraud, tax evasion, tax resistance, frighten all

prospective violators of tax rules and regulations and all criminal elements, educate the vast number of our taxpayers, and create an excellent social convention which will consider honorable to conduct all business according to law and properly pay taxes, and which will regard as dishonorable to commit tax fraud, tax evasion, and tax resistance, and breaking the law while seeking exorbitant profits.

3. Strengthen tax collection and tax administration, having each link, the collection, administration, and investigation, and also the various procedures for collection, remission, and imposition of penalties gradually achieve institutionalization and normalization, and furthermore submit to strict supervision by members of the society at large, internally guarding against corruption, and externally suppressing all tax fraud and tax evasion. Apart from properly attending to the tasks of collecting, administering, and investigating, we must now go one step further and establish and perfect systems for tax source registration of individuals and individual entrepreneurs, tax reporting, and tax guidance, we must normalize tax withholding at source for transmission to the state on behalf of the taxpayers, we must in good time and accurately support the tax departments, strengthen tax source control, actively explore systems of having the citizens consciously pay taxes according to law, establish and perfect a multilevel, all-round assist-taxation, protect-taxation organization, forming a network of strict supervision and control over the conditions of distributions among all members of society. Through a tight system of tax collection and tax administration, combined with the effect of other regulatory and control measures, we shall diminish or prevent unfairness in social distribution.

4. With a combination of measures of prevention and imposition of penalties, but primarily by preventative measures, we shall strictly suppress all activities that aim at exorbitant profits by means of tax fraud and tax evasion. Using taxation as a lever to regulate income distribution among members of society has a direct bearing on the interest relations between people, and can easily sharpen contradictions in tax obligations. We must, on the one hand, prevent the occurrence of tax evasion through effective tax collection and tax administration, and, on the other hand, according to law exercise the powers of tax collection and tax administration, such as investigative powers and powers of compulsory enforcement, strictly uncover all tax fraud and tax evasion activities, and ensure that no one encroaches on the state's tax revenue benefits, and also ensure fullest realization of the objective of a proper regulation and control of social distribution. At the same time, we must cooperate with the judicial departments to achieve a state of affairs where there are existing laws that can be relied upon, and where violations of law will be prosecuted. We shall severely crack down on instances of tax resistance, arouse and strengthen consciousness among all citizens of their tax obligations according to law, ensure the smooth implementation of the policy of

adjusting unfairness in social distributions through taxation, conscientiously sum up experiences in controlling and ferreting out cases of tax fraud, tax evasion, and tax resistance by individuals and individual entrepreneurs, actively maintain the initiative in the use of taxation to regulate unfairness in social distribution, and as a consequence ensure that the state's tax revenue and the legitimate income of the working masses will not be harmed.

Preventing and rectifying unfairness in social distribution is a protracted and arduous task. In the realities of our actual situation, we must continuously explore ways and make efforts to create a tax-based regulatory and control mechanism. This must accord with China's national conditions and must implement China's income distribution policy. It will promote a fair and efficient unification of social distributions, will promote social stability and solidarity, and will also promote a continued, stable, and well-adjusted development of the national economy.

## INDUSTRY

### State Claims Share of Excess Steel

40060033A Chengde JINGJI XIAOXI in Chinese  
13 Jan 90 p 2

[Summary] At the National Steel Order-Placing Meeting for the first half of 1990 held recently in Changsha, vice ministers of the Ministries of Metallurgical Industry and of Materials announced that this year key steel enterprises must remit a portion of their excess steel production to the state. These ministries will coordinate distribution of the steel to agriculture, energy, and other key departments, allotting specific units fixed amounts at varying prices. Cooperative agreements between consumers and producers may be implemented after approval by the ministries.

### Emerging Role of Local Steel Enterprises

40060031A

[Editorial Report] The 30 January Beijing JINGJI CANKAO in Chinese published two front-page articles that discussed the expanding profile of local small and medium-sized steel enterprises in 1989. The first article reported State Planning Commission Minister Zou Jiahua's disclosure at the National Metallurgy Work Conference in January that local enterprises produced 1.67 million of the 1.89 million tons in increased steel output last year. At the same time, Zou said, inefficiency and low product quality have accompanied the development of the local steel industry and corrective measures should be taken. He also stressed the need for steady growth in the steel industry and the importance of producing new, high quality products in order to reduce steel imports.

The second article reported that China's 570-plus small and medium-size local steel enterprises produced 15.41



million tons of steel, about 25 percent of 1989's total output, and accounted for 90 percent of increased steel production. Over the past 10 years local steel enterprises have generated 20 billion yuan in profits for the state, with total profits increasing at an average annual rate of 20 percent. Enterprises with significant steel output included Anyang Iron and Steel Company (over 1 million tons), Handan Iron and Steel Plant (960,000 tons), Jinan Iron and Steel Plant (770,000 tons), and Kunming Iron and Steel Plant (650,000 tons).

### Expansion of Lingyuan Iron, Steel Works

40060032A Shenyang LIAONING RIBAO in Chinese  
22 Jan 90 p 1

[Summary] In the past three years Liaoning's Lingyuan Iron and Steel Company expanded from one factory to three by relying on its own initiative to improve its technology and by developing lateral associations with nearby mines to establish a secure raw materials base. At the end of 1989, steel and iron output reached more than 1,000 tons per day, enabling the company to achieve its Seventh 5-Year Plan production target (350,000 tons per year) one year ahead of schedule.

## SMALL-SCALE ENTERPRISES

### CPC Policy Called 'Key' to Small Enterprise Growth

900H03164 Beijing JINGJI CANKAO in Chinese  
8 Jan 90 p 1

[Article by staff commentator: "Eight-Character Policy Is Guide to Healthy Growth of Township-Town Enterprises"]

[Text] The decision passed by the 5th Plenary Session of the 13th CPC Central Committee, for further improvement and rectification and the deepening of reform, proposes: "In accordance with the policy of readjustment, reorganization, transformation, and upgrading, vigorously guide the healthy growth of township-town enterprises." This is the party Central Committee's correct policy in the period of improvement and rectification for guiding the growth of township-town enterprises, and it is of important practical significance and of profound historical significance.

For a long time in the past, in China's macroeconomy there was formed a dual structure in which the urban and the rural were separated and the industrial and the agricultural were separated. The cities engaged in industry and the rural areas engaged in agriculture. This irrational economic structure caused a lopsided development in the urban and rural economies. From this was produced an irrational deployment in the labor forces structure of the entire economy that became an important reason for China's undeveloped economy. Practice since the 3d Plenary Session of the 11th CPC Central Committee has proved that, under the premise of vigorously strengthening agriculture, arousing the enthusiasm

of the hundreds of millions of peasants for developing socialist commodity production, starting up secondary and tertiary industries, and in a planned manner transforming agricultural surpluses into labor power are the only way to develop vigorously the rural economy and to promote China's socialist construction. The township-town enterprises in the rural areas—a new force suddenly coming to the fore—are a great industrial revolution in China's rural areas. They are gradually changing the irrational situation in China's macroeconomic structure, causing it to develop in the direction of coordination and mutual aid in the urban and rural economies and of coordination and mutual aid in the primary, secondary, and tertiary industries in the rural areas. The central authorities' policy of "readjustment, reorganization, transformation, and upgrading" means doing things in accordance with objective economic laws and guiding township-town enterprises to develop healthily. Its fundamental objective is to develop better socialist productive forces, to consolidate and develop the results of rural reform, and to readjust the rural economy so that the entire national economy is prosperous and stable.

In the process of developing township-town enterprises, there really exist many problems that need to be earnestly solved. In the development of certain trades, enterprises, and products, the endless irrationalities in their structure and composition cause low-level duplicative construction and create waste in energy sources and raw materials. The quality of many enterprises, staff, and workers is low, equipment is outmoded and backward, technological and management forces are weak; thus product quality is poor, materials consumption is high, or environmental pollution is serious. There are also many enterprises in which the administrative work style is improper, causing the occurrence of some problems of violating law and discipline. The "eight-character" policy is the policy guiding township-town enterprises to perfect themselves constantly. For the planned, measured guidance of township-town enterprises, by taking a series of measures to readjust the rate of development, to optimize the industrial structure, to promote technological transformation, and to improve administrative work style, their own weak points will be constantly overcome and the township-town enterprises will be spurred to more healthy growth.

At present the township-town enterprises are in a period of historic transition, and the situation they face in the period when improvement and rectification are being carried out is still very grim. We must both estimate accurately the difficulties and see that there are many advantageous conditions for overcoming the difficulties. What is most important is that the central authorities' general policies on reform and opening up to the outside world do not change, and that the policy for developing township-town enterprises also does not change. This will provide long-term stability and advantageous policy guarantees for the township-town enterprises. At the same time, results have begun to be seen in the improvement and rectification of the national economy, and the



economic environment and economic order have begun to take a turn for the better, a situation that is advantageous for a corresponding readjustment by the township-town enterprises.

Readjusting the industrial, trade, and product structures of the township-town enterprises is the main task in implementing the "eight-character" policy, and is also the key to tiding over difficulties and to maintaining reserve forces for development. To guide the readjustment of the industrial structure of township-town enterprises, we must, in line with the state's industrial policy and proceeding from the specific characteristics of the township-town enterprises, coordinate the demands for the development of township-town enterprises and the development of the national economy, and make consistent the objectives of the entire improvement and rectification.

### Efforts To Upgrade, Invigorate Henan Rural Enterprises

90OH0358A Zhengzhou HENAN RIBAO in Chinese  
9, 10, 12 Jan 90

[Article by correspondents Shi Songguang (0570 7313 0342) and Li Hongtai (2621 3163 1132): "Notes From Visits to Township and Town Enterprises"]

[9 Jan 90 p 1]

[Text] The province's township and town enterprises have recently encountered intolerable pressures and hardships in their development. Various biases in public opinion alone have caused numerous unnecessary losses for a large part of the rural economy.

These biases show up mostly in a warped understanding of central government policies. Some people mistakenly suppose that the party's policy of improving the economic environment and restructuring the economic order means no further development of these enterprises, or they even place township and town enterprises on a par with capitalist privatization. Others condemn township and town enterprises as a source of corruption.

The correspondents have very deep feelings as a result of looking and listening during their rural survey. In some places, work has become lax. Things that should be done are not done. Enterprises are obviously in difficulties, yet nothing is done to come to their rescue. Plant managers, directors, and sales personnel are more worried. After working hard all these years, the economy has become invigorated, and returns have risen, yet they have been made "scapegoats." In Ruzhou, we found that 10 province and city-designated peasant enterprises jointly presented a petition asking that their enterprises be turned over without compensation to the state or collectives for operation.

At the Provincial Township and Town Enterprises Conference that the province convened at Zhoukou in late October 1989, some conceptual problems were clarified.

Subsequently, in its "Decisions on Further Improvement of the Economic Environment, Readjustment of the Economic Order, and Deepening of Reform," the central government presented an eight character policy for active guidance of the healthy development of township and town enterprises, which further spelled out no change in the strategy for development of township and town enterprises. It was only thereafter that the thinking of cadres and the public in a majority of places largely settled down. Nevertheless, our observations showed that people's morale has not yet risen completely. Consequently, energetic propagandizing of "no change in policy," acknowledging from the strategic heights of the position and role of township and town enterprises in development of both the rural economy and the entire national economy remains a primary task staring us in the face.

Ten years of rural reforms have produced rapid development of the province's township and town enterprises. It has made an indelible contribution to the strengthening of the socialist economy, assisting agriculture, solving employment problems, and earning foreign exchange from exports. As of the end of 1989, the province's township and town enterprises had produced an output value of more than 180 billion yuan in 10 years. This was more than 50 percent of the total output value of rural society in the entire province. They paid 4.43 billion yuan in taxes to the state. Between 50 and 60 percent, and as much as 90 percent, of the financial revenue of one-third of the province's counties came from township and town enterprises. Anyone can appreciate the importance of these figures.

Agriculture is the foundation of the national economy, and township and town enterprises are a pillar in this foundation. During the past 10 years, township and town enterprises have provided more than 1 billion yuan from taxes and profits for the development of agriculture.

Township and town enterprises also account for a lion's share of peasants' real earnings. Peasant per capita earnings for the province as a whole increased 1.9-fold between 1981 and 1989, most of the increase stemming from the development of township and town enterprises, and from non-agricultural industries. Today, township and town enterprises provide employment for more than 8.6 million people in the province, 2,646,000 of them working in township and village enterprises alone. They draw more than 5 billion yuan in wages annually. Such earnings could not be realized from agricultural output alone.

Understanding the position and role of township and town enterprises solely in terms of how much money they earn is not enough. We must understand that township and town enterprises have emancipated peasants from the narrow world of a natural economy that has existed for several thousand years, opening up the wide world of a commodity economy. It is here that the

brilliantly shining hope lies for the peasants to escape poverty to become wealthy, and for the country to thrive and prosper.

Talking about rural reform two years ago, Comrade Deng Xiaoping said: "We never anticipated the greatest harvest, namely the development of township and town enterprises." "We have done an extraordinarily fine thing." Re-reading Comrade Xiaoping's remarks today, we are doubly touched. This is because we are the executors, the practitioners, and the beneficiaries of this central government policy.

Of course, township and town enterprises themselves include diverse economic components such as the collective economy, the individual economy, and the privately owned economy, but this has absolutely nothing in common with capitalism. The diverse economic components that we are developing at the present stage are beneficial to, and a necessary supplement to, the socialist economy. So long as operators work honestly, operate according to law, and pay their taxes according to regulations, they should likewise receive protection from the law. In past operations, some township and town enterprises have used some improper ways of doing things. With the call for honesty in public life, the eradication of corruption, and a turn for the better in the social atmosphere as a whole, township and town enterprises can completely refrain from improper business practices to take part in market competition boldly and assuredly.

Healthy development of township and town enterprises requires concern and support from all walks of life. Furthermore, the operators of township and town enterprises should even more rally spirit for diligent implementation of party and government policies, and vault to China's economic stage with a brand new look.

[10 Jan 90 p 1]

[Text] How can the strategic policy of "readjustment, restructuring, reform, and improvement" that the central government has proposed be carried out in terms of realities existing in Henan Province?

We, and comrades in the provincial Township and Town Enterprises Bureau, made a concise joint analysis of the structure of township and town enterprises throughout the province.

A look at the entire structure shows the ratio between light and heavy township and town industrial enterprises in the province to be 4:6. More than 80 percent of light industrial enterprises are processing industries that use agricultural by-products as raw materials. Among heavy industrial enterprises, about 20 percent are mining, construction materials, and raw materials industries. Machinery industries account for 80 percent. Furthermore, approximately 80 percent of all machine industry products are spare parts used by large industries, and most of the remaining 20 percent are products that support agriculture. This means that except for the high

energy consuming smelting industries, small chemical industries and unregistered operations that pollute seriously, and small mining industries that cause serious waste, all of which should be firmly closed, the province's overall industrial structure is consistent with national industrial policy.

Nevertheless, the readjustment tasks for some of the industrial structure are by no means small. The main problems are improper density and very unbalanced development. In some places, the building of redundant enterprises of the same kinds has produced serious dislocations in terms of the apportionment of available and increased resources, and production capabilities.

Take the paper manufacturing industry, for example. There are more than 1,300 township and town paper manufacturing enterprises in the province, 1,000 of them in just two cities, namely Xinxiang and Jiaozuo. Less than 10 percent of the wheat straw in the province is available as a raw material for making paper, and wheat straw is very expensive in these two cities, the price having increased from the former 100 yuan per ton to more than 200 yuan per ton. Today, quite a few paper mills in places like Huixian and Xinxiang counties do not operate at full capacity year round for lack of raw materials. Not only is there competition for raw materials, but for markets as well. The repeated lowering of paper prices by some mills has had a very adverse effect on overall returns from papermaking.

The paper manufacturing machinery industry has been one of the province's top flight industries, and it is also concentrated greatly in Jiaozuo City. In Qinyang City, the city of greatest concentration, there are more than 400 paper manufacturing machinery enterprises. Formerly product competition was rather fierce, tens of plants often competing for a single customer. After the market changed, when numerous enterprises had no other products to sell, they were unable to reverse course in time and gradually fell on hard times.

Within the short space of several years, Anyang County, which produces only 250 million kilograms of wheat annually, sprouted more than 80 flour mills with a total processing capacity of 1.1 billion kilograms. In 1990, 39 of these plants had no alternative but to announce they were going out of business because of "empty stomachs."

What is to be done? There is no choice other than readjustment. Qinyang City's method of readjusting the paper manufacturing machinery industry provides us valuable reference. Their specific method was to preserve the superior ones and get rid of the inferior ones in order to focus support. They found other lines of production into which some could go, opening additional avenues; they formed partnerships and mergers for a mutual reinforcement of strengths; and they linked some plants to large factories as good "satellites." Results from this readjustment were rather ideal. Today, a large number of plants have turned to the development of new products, each of them finding its own markets.

Can the methods used at Qinyang be applied to the readjustment of the paper manufacturing industry? Our analysis shows it to be completely feasible. Township and town papermills throughout the province produce nearly 1 million tons each year, but a very small amount of high quality product. Some papermills in south China buy a certain amount of their yellow kraft paper and their crude corrugated paper for use as raw materials, which they re-pulp to produce high quality paper. They are the ones who earn big money. We must make some planned readjustments that take all factors into account, separating out a number of mills to produce high quality paper, some other mills working for them in the preliminary processing of raw materials.

A lot more can be done in readjusting the product mix. Most of the products that our enterprises produce are of low standards. We produce a large number of preliminarily processed and crudely processed products, but few thoroughly processed or finely processed products. We produce large amount of products already in plentiful supply and popular goods, but few medium and high quality products, many low quality products, and few name brand, superior, special, or new products. We produce many material-intensive products, and few technology-intensive ones. Therefore, in order to carry out the central government's eight character policy, we will have to devote strenuous efforts to the readjustment of the product mix and to improving quality.

We have successful experiences, of which the province's township and town cement industry is one example. Two years ago, various departments, including the National Bureau of Industry and Commerce, issued a joint notice calling for a halt to the production of potato kilns [didan yao 0966 5751 4523] beginning in 1990. At that time, Henan Province was known as the "potato kiln kingdom," because 230 of the 251 township and town cement plants in the province had "potato kilns" producing cement of universally not very high quality. The province did not get rid of all of them in one fell swoop. The provincial Township and Town Enterprises Bureau organized departments in charge in all jurisdictions to provide effective services in terms of techniques, equipment and the training of personnel for the active transformation of "potato kilns," allowing those having good conditions to change directly to the building of upright or rotary kilns, and allowing others to become affiliated white lime pulverizing stations. Only those that were really awful were eliminated. After more than a year of effort, 199 plants have received new licenses to produce cement according to the new specifications. The number of enterprises has decreased, output of cement has increased 2.7-fold, and quality has also risen from 26th place to fifth place in the country.

It is not difficult to realize from this successful experience that improvement of macroeconomic regulation and control requires more scientific guidance, the provision of effective services, and using every means available to put enterprises on a path of consistent and healthy development to gain greater returns, rather than

simply to slash and butcher right and left. On the issue of speed of development, we believe that the principles of seeking truth in facts and acting according to capabilities should be adhered to. There should be no headlong vying with each other, but rather active creation of conditions, striving to achieve a suitable speed that produces fairly high returns.

[12 Jan 90 p 1]

[Text] Reliance on scientific and technical progress to advance the development of township and town enterprises is a topic that has increasingly penetrated people's minds. Both the provincial CPC Committee and the province government have drawn up a series of concrete policies in this regard to which nearly 20,000 scientific and technical personnel throughout the province have responded by going down to the countryside and into factories to show their skill and exert themselves, making a contribution in advancing the technical progress of township and town enterprises.

Some enterprises hurriedly "borrowed useful ideas to get ahead," "used the experiences of others to produce," "established internal and external contacts," and "forged personal links." They used all manner of means, gaining from each of them.

However, an overview of enterprises throughout the province shows that cases in which the gateways of scientific and technical progress were opened were a rarity among rarities. A shortage of skilled personnel, antiquated equipment, backward technology, and low product quality were commonplace. Some statistics illustrate the problem very clearly. Only four percent of the 2,646,000 personnel employed in township and village enterprises possessed elementary level credentials in specialized fields, and fewer than one percent held intermediate level credentials. Among managerial personnel, quite a few had transferred into enterprise management from former positions in which they had sounded bells to send people off to work in the fields in the former communes. Although they had improved themselves greatly over the years in commodity production, they were still far from able to meet the needs of modern industrial production.

One heartening thing was that their mental concepts were being steadily renewed, and their desire to require vigorous promotion of scientific and technical progress was becoming increasingly urgent. Party and government leaders in places where thinking was acute took firm grip on the program for vigorous promotion of scientific and technical progress. They cast nets far afield to scientific research units, institutions of higher education, and to state-owned large- and medium-sized enterprises having abundant numbers of technicians.

Mi County was one of the first counties to get going. Two years earlier, their main industries had to do mostly with bricks, tiles, lime, sand, and stone. In 1989, the county CPC committee and the county government launched a wide ranging campaign of "one linking up with three"



and of "one depending on another" whereby each township and town linked up with three or more scientific research units and institutions of higher education, and each enterprise found a scientific and technologically advanced backer on which it could rely, drawing support from the strength of those with whom they were linked and depended on to advance their own development. Great results were gained during the past two years. Goutang Township, which had formerly been an out-of-the-way and poverty stricken place, had an output value this year from its enterprises alone of nearly 100 million yuan. After the township paper mill, which had formerly been able to produce only yellow kraft paper, brought in advanced technicians and advanced managerial personnel, it produced newsprint, relief printing paper, and copper plate printing paper that the market snapped up. After a large state-owned plant helped in its technological transformation, the refractory materials plant, which verged on collapse, produced very strong, high quality iron bricks for use in metallurgy furnaces.

During our survey, we saw that some places were in process of applying Mi County's experiences. Party and government organs were working out arrangements, and large and small enterprises were acting together, unwilling to give up until they had found a scientific and technical backer. We began to be very encouraged. Only later on when we visited Ruzhou City did we learn that "real spirits are difficult to exorcise."

Ruzhou City was developing a new scientific research product, an automatically controlled, self-artesian valve. Experts believed this new product would revolutionize valves, and its manufacturing costs was only one-eighth that of old valves of like performance. The potential market was very large. Shi Gengshen [0670 1649 3947], the deputy mayor of Ruzhou, who was in charge of township and town enterprises, told us that this new research product had not been easily "won." More than 10 plants competed in taking up the challenge of the "scientific research unit" to produce it. That Ruzhou City had been successful was attributable entirely to several township-operated machinery plants having a certain managerial level and technical forces.

Of course. No scientific research unit would want to turn over the fruits of its own efforts for development by an enterprise having a very poor foundation. "Linking and relying" on scientific research units was not just a matter of our people choosing others also had to select us. Therefore, we very much have to devote real efforts to improving our own management level and the quality of our personnel, as well as do more in the way of technical transformation.

Reportedly, during the last several years, a network of township and town enterprise training stations has been built in prefecture (seats), county (seats), and townships throughout the province where more than 300,000 people have received basic training. The provincial Township and Town Enterprise Bureau has established between one and three advanced models for the

improvement of enterprise management in each prefecture seat. This basic construction work continues without letup, giving "internal impetus" to township and town enterprises' vigorous efforts to promote scientific and technical advances.

The rapid take-off achieved through reliance on scientific and technical progress at the Madian Spray Irrigation Machinery Plant was a classic. During the past several years, this plant has won nine spectacular awards for scientific and technical achievements. Those familiar with the circumstances have come to the conclusion that it takes less than a day of freezing weather to produce ice three cun thick. The plant devoted attention to bringing in skilled personnel and technology, and paid even greater attention to improving the quality of all personnel. In most cases, the experts and professors brought into the plant all carried a "dual mission." One was to guide scientific research and production, and the other was to teach classes to train staff members and workers. By the end of 1989, the training rate for all personnel was 95 percent. The road that this plant followed was truly one of achieving success through scientific and technical progress.

During the past two years, township and town enterprises all over the province have produced very many achievements. They have received a national award for excellence, and 32 awards for scientific and technical progress and quality products. They have also received three national scientific and technical progress and scientific and technical spark awards, 22 national patents, and 110 provincial awards for excellence. When I saw these figures at the provincial Township and Town Enterprises Bureau, I thought that behind each of these achievements lay a successful experience, and that each successful experience constituted precious wealth for the township and town enterprises of my province. If these many successful experiences could be spread to and absorbed by all enterprises, the province's township and town enterprises would certainly be able to create a new situation in development of the rural economy.

## FOREIGN TRADE, INVESTMENT

### Shen Jueren Speaks on Foreign Trade Tasks for 1990

HK2501100290 Beijing RENMIN RIBAO in Chinese  
19 Jan 90 p 2

[Article by Staff Reporter Ji Honggeng (6060 3126 6342): "New Tasks in New Year—An Interview With Shen Jueren, Vice Minister of Foreign Economic Relations and Trade"]

[Text] The Ministry of Foreign Economic Relations and Trade called an export planning conference just last year. Overall arrangements and the main points of work have been reported. But after this reporter visited the Vice Minister of Foreign Economic Relations and Trade, he felt that the several points the minister stressed about

work in 1990 must be given attention and pondered by the comrades of undertakings related to foreign economic relations and trade.

Shen Jueren is an "expert in foreign trade." He said: "The good situation about foreign trade exports in 1989 did not come by easily. Problems like lack of funds, the rise in commodity prices, shortage of goods, energy and raw materials, and so forth were overcome, one by one. Despite multiple difficulties, we still have confidence."

Touching on the effects of the renminbi foreign exchange rate readjustment, he said that the recent big readjustment, given no change in the original policies and measures encouraging exports, will no doubt benefit the boosting of exports. But he reminded people not to raise the procurement prices for export goods. An increase will offset the favorable factor arising from a foreign exchange readjustment. Departments of foreign economic relations and trade must act in close coordination with commodity prices departments and uphold the principle calling for the same prices for the same qualities for both domestic and foreign consumption and good prices for good qualities, resisting the trend toward a likely price rise.

He said that control of the purchase prices for export commodities is an unusually important problem. We must take a prudent approach. Shen Jueren recalled the scene in the 1950's when the procurement prices for cattlehides, silk worm cocoons, and tea leaves were readjusted. At that time, Comrade Chen Yun personally took care of this matter. He called for first making investigations and studies to clarify the price relations between various relevant products. For instance, the price ratios between cattlehides and beef, between other pelts, between tea leaves and grain, between other economic crops... were all borne in mind, as decisions on making a readjustment or not and on how to make readjustments were worked out. Shen Jueren said that economic work is very complicated, its ramifications linked up with each other. To do work with meticulous care, we cannot be reckless. Still less can we just bear in mind the interests of a given unit or area taking advantage of opportunities to mark up prices and scramble for purchase, upsetting the market and impairing collective interests.

On the sorting out and rectification of various categories of companies involving foreign economic relations and trade, Shen Jueren mentioned two thought-provoking figures. Exports for 1989 were estimated to be around five percent more than in 1988, with not much of an increase in export goods. Some goods were still in very short supply. But in more than six months last year, some 2,000 foreign economic relations and trade-related companies of various kinds were established in various areas of circulation, an increase of about 70 percent over the original figure of 3,000. There was a sharp increase in the number of companies, but the supply of goods was very limited. There appeared price markups followed by scrambles for purchases. Some companies failed to carry out contracts, inevitably impairing the image of our

foreign economic relations and trade. He said that the increase in the number of companies must be compatible with an increase in goods supplies and the number of skilled personnel. Now some areas make quick or slow progress in sorting out and rectifying companies. Work must be carried out resolutely in line with the stipulations of the State Council. As things now stand, given the upholding of a reform of the foreign trade system, the importance of strengthening macroeconomic control is especially obvious. Some people roughly estimate that the losses caused in one year through the practice of underselling each other in competition for foreign trade accounted for 10 percent of the total export volume. What a shocking loss!

Touching on imports, Shen Jueren said: China is a developing country. The shortage of foreign exchange is not a short-term phenomenon. Imports must be arranged in light of the picture of foreign exchange. Based on availability of foreign exchange, we must arrange in proper order priority import items, such as grain, rolled steel, chemical fertilizers, technology, equipment, and so forth, putting limited foreign exchange to use where it counts. Where conditions are ripe, the best way is to use not administrative means but economic means to distribute foreign exchange and arrange imports. The proper handling of imports is also very important. We cannot consider that the least imported, the better it is, with nothing imported whatsoever from foreign countries. In the matter of importation, we must grant the lower levels some flexibility. Concerning a small number of important import commodities handled by specialized companies in a unified manner, we must also on the basis of price coordination allow areas to import that portion of goods involving small quantities and urgent needs. Last year, this was done. This must be done still better this year. This is conducive to production and construction.

San-zi [0005 6327 three kinds of capital-related] enterprises have asserted their role in increasing exports. Up to 10 December 1989, there was an increase of around \$1.6 billion over the corresponding period in 1988, with the amount of \$2.96 billion reached. According to an original estimate, the number of newly approved san-zi enterprises would greatly drop. But there was actually also not a small decrease. The value of newly signed agreements and actual amounts of money invested both showed an increase over the preceding year. This shows that foreign businessmen still have confidence investing in China. Our policy of opening up to the world and attracting foreign capital will not change. Instead, it will be gradually perfected to more actively attract foreign capital and allow continuous advances. We must lure foreign capital to get involved with more bigger and presentable projects, such as energy, raw materials, transportation, agriculture, and so forth. large projects are different from middle-sized and small ones. How to make things attractive? This theme has been posed to us. We must join various quarters in doing this job well.

### Gold, Silver Exports Set Record in 1989

90OH0327B Beijing GUOJI SHANGBAO in Chinese  
20 Jan 90 p 1

[Article by Zhu Chunde (2612 4783 1779): "China Exports Record Volume of Gold and Silver; Last Year Over 1.2 Million Gold Coins and Over 400,000 Silver Coins Were Exported"]

[Text] Last year, even with international gold prices remaining low for a long period of time and the market demand for gold coins falling, China's export volume of gold and silver coins continued on an upward trend. According to incomplete statistics, China exported over 1.2 million gold coins last year containing a total of 300,000 ounces of gold, and over 400,000 silver coins containing 450,000 ounces of silver. These amounts set a record volume of gold and silver exports for China and placed China among the world leaders in this area.

During 1989, China issued about 40 different gold and silver commemorative coins. Included in these coins were the series of gold and silver coins commemorating the panda, coins commemorating the 40th Founding Anniversary of the PRC, coins commemorating the 11th Asian Games (first set), the sixth set of coins commemorating prominent figures in China's history (Yuan Dynasty set), coins commemorating rare animals of China (second set), and coins commemorating the seventh year (year of the horse) of the Twelve Heavenly Branches. Because these coins have themes that reflect the historical culture of China, designs cut in the distinctive national style of China, are exquisitely cast, and have steadily sold on the international market, they have become famous products on the gold market and have bright prospects for future market sales.

At present, there is intense competition in the international gold market. Canada, the Soviet Union, Australia, the United States, and other gold producing nations are all expanding their international gold markets. The designers and engineering technicians of China's coin manufacture enterprise must continually create new varieties and designs in order to meet this stern challenge confronting them.

### Preferential Loan Treatment Continues for Exporters

90OH0328B Beijing GUOJI SHANGBAO in Chinese  
20 Jan 90 p 1

[Article by Zhu Weihua (2612 4850 5478): "Bank of China Last Year Made More Than 110 Billion Yuan in Foreign Trade Loans; This Year's Lending Will Adhere to the Policy of 'Supporting Whoever Is Exporting'"]

[Text] On 18 January, the Bank of China's national conference of its branch managers concluded in Beijing. It was made known at that time that the balance of the

liquid funds loaned to importing and exporting enterprises by the Bank in 1989 amounted to 120 billion RMB [renminbi] yuan, an increase of 19.2 billion yuan over the year before.

The Bank of China has consistently adhered to a lending principle of "supporting whoever is exporting," by vigorously backing the foreign trade procurement of commodities for export. Based on the actual needs of each locality and its capacity to bear fiscal burdens, it has made timely infusions of funds, basically fulfilling the funding requirements for importing those things of critical relevance to the national economy and the people's livelihood, such as foodstuffs, fertilizers, agricultural chemicals and membranes, metal, paper and pulp, etc. This was a powerful, motivating force in overfulfilling the 1989 export plan.

In the loan of liquid funds, there also were increases in the proportion loaned to exporters of electronic products and to foreign firms investing in enterprises. For the whole year, the foreign investors were provided with over 9 billion RMB yuan and more than \$800 million.

For 1990, the Bank of China will implement a lending policy of "making distinctions, and choosing the best for support." Based on the beneficial results foreign enterprises have derived through their use of loans, the Bank will make a project-by-project study, and then arrange the enterprises in categories: those which fall into the first category will receive priority in lending; those in the second category when under fiscal pressures; but the Bank is resolute that there will be no loans granted to those enterprises which have unmarketable goods or have shown poor benefits. In granting loans, in order to support those whose exports are critical to the foreign trade plan, the Bank will support the procurement and production development of importing and exporting enterprises and enterprises which produce goods for export; it will also provide assistance in the technologically transformation of enterprises which accumulate foreign exchange through exports. In accordance with the needs of the national policy of readjusting industry, the Bank will assist in readjusting the export product structure, and support the appropriate expenditures needed for procurement of commodities for export and the export of electronic products. The Bank will assist in strictly controlling procurement prices, raising the benefits which come from the use of funds, putting in order situations where credit payments for imports are in arrears, and eliminating unwise use of funds.

The Bank of China will also continue its support of large-scale export projects in shipping, aviation, motor vehicles, textile machinery, electrical power station equipment and other high-tech projects in which there are good benefits, high foreign exchange earnings and faster financial turnover. It will also meet the fiscal needs of national construction projects in energy, transportation and communications, and raw materials. Moreover, it will make appropriate increases in credit to foreign firms investing in enterprises.



### Beijing Posts Foreign Trade Record in 1989

90OH0327C Beijing JINGJI RIBAO in Chinese  
20 Jan 90 p 2

[Article by Zhao Zi (6392 5417): "Beijing Makes New Progress in Foreign Trade: Foreign Trade Exports Exceeded \$1.1 Billion in 1989, 185 Newly Approved Enterprises Using Three Sources of Capital"]

[Text] Beijing foreign trade exports for 1989 surpassed the \$1.1 billion level for the first time, and showed a 7.8 percent growth over 1988. Throughout 1989, there were 185 newly approved enterprises that utilize foreign investment, a 25 percent increase compared to 1988. These were the year-end figures released to reporters by Zhang Ming (1728 2494), chairman of the Beijing Municipal Foreign Economic Relations and Trade Commission.

In 1989, Beijing overcame various difficulties and made steady progress in its foreign economic relations and trade.

In the area of foreign trade, Beijing improved macrocontrol, actively organized sources of goods, used various means to raise funds, and expanded its export business. The volume of business at the Beijing Trade and Economy Exhibition held in Tokyo last October totaled \$63 million. This amount was \$30 million more than expected and set an all-time record high for exhibitions held outside China. By October, foreign trade exports surpassed \$900 million, attaining the state goal two months ahead of schedule. Three trade companies engaged in clothing, knit goods, and machinery all had business volumes of over \$100 million. The export value of machinery and electrical equipment totaled \$220 million, an increase of 16.4 percent over last year, and accounted for 20.18 percent of the total export volume.

In the area of utilizing foreign capital, Beijing passed down review and approval authority for projects using less than \$5 million in foreign capital to prefecture and county governments. Of last year's 185 newly approved enterprises using three sources of capital, 82 or 45 percent, were reviewed and approved at the prefecture or county level. The municipality also cleared up 63 economic laws and regulations concerning foreign involvement. It selected 1.5 square kilometers of land in Liyuan Village, Tongxian County as a test area, formulated provincial regulations for the planning and implementing of passing down authority for land use, and has expanded its test areas for utilizing foreign capital. At the same time, Beijing coordinated the channels for raising funds and supplying raw materials for enterprises using foreign capital. Last year, these newly approved enterprises using foreign capital signed agreements totaling \$190 million, and attracted \$83.7 million in foreign funds. By the end of 1989, 590 Sino-foreign joint ventures with contracted investment totaling \$4.08 billion had been set up in Beijing, attracting a total of \$1.88 billion in foreign funds.

Last year, Beijing signed contractual agreements with foreign partners which totaled \$13.38 million, a 51 percent increase over last year. The volume of technology exports was over \$50 million in 1989, making approximately \$10 million in foreign exchange earnings. This was a large increase over the \$3.6 million earned by Beijing in 1988. In addition, there were five overseas based enterprises approved last year. These enterprises were established in the United States, the Soviet Union, Cyprus, and Australia.

### Fujian, Hunan Succeed in Using Foreign Capital

90OH0398C Beijing GUOJI SHANGBAO in Chinese  
25 Jan 90 p 2

[Report by Zhang Shidong (1728 0013 2639): "Fujian, Hunan Showed Remarkable Success in Utilizing Foreign Capital Last Year"]

[Text] Fujian Province's foreign capital utilization work made remarkable progress last year. Provincewide, 872 wholly foreign-funded projects were approved; they promised \$903 million in foreign funds, and \$329 million was actually spent.

Last year, Fujian Province made a solid effort to improve the investment environment and focused especially on the infrastructure in the foreign investment zones. They promoted a system of handling all the official business in "one building" and enthusiastically made things as convenient for the foreign investors as possible. They also tried to address all the production and management problems of the "three kinds of wholly and partially foreign-owned enterprises." Meanwhile, they worked hard to guide the direction of foreign investments and attract the large-scale capital projects. To solve the fund shortage problem at home, they encouraged the foreign investors to set up more wholly-owned enterprises or put up a larger percentage of the capital. They have been highly successful in their endeavors.

They optimized the investment composition and attracted better quality and higher grade projects. Among the new foreign investments approved last year, more than 90 percent were production-type projects, and a majority of those were export-oriented projects. There has been an increase in the construction of docks, power pumping stations, infrastructure projects, a greater number of raw and processed material, basic industry, and advanced technology-type projects. In particular, as much as \$200 million has been invested in some wholly foreign-owned polyester manufacturing plants. They represent a major breakthrough for Fujian in absorbing foreign capital to fund basic industrial projects.

The number of wholly foreign-funded projects has been increasing rapidly and foreign investments are making up a larger percentage of the total investment: In 1989, the province approved 313 wholly foreign-owned enterprises worth \$576 million; they represent 1.42-fold and three-fold increases compared to the previous year.

Provincewide, foreign investors were investing an average of 82.46 percent more in the new projects approved last year compared to the previous year, and together with the larger share of foreign input in the joint venture projects, they, to some extent, helped to ease the pressure of the shortage of fund on the Chinese side.

The "three kinds of wholly and partially foreign-owned enterprises" generate significant economic benefits and social benefits. Today, nearly 1,400 of the "three kinds of wholly and partially foreign-owned enterprises" have already gone into operation in Fujian Province. Most of them are profitable. Last year, they generated 5.765 billion yuan in industrial output value, 31 percent more than in the previous year and accounted for 21.1 percent of the province's industrial output value during the same period; their newly increased output value accounted for 42.7 percent of the province's newly increased output value; the export business they manage themselves generated \$466 million, 28.9 percent of the province's total export value.

Hunan Province's foreign capital utilization work was a remarkable success last year. Their scope of foreign capital utilization was unprecedented, and the quality of the projects was clearly better. Province-wide, 120 foreign investment projects were approved; the contracts promised \$138.8 billion [as published] in foreign funds, a 3.3-fold increase compared to a year earlier, and \$119 million was actually put to use.

This is 9.2 times the amount used in 1988.

To date, Hunan Province has approved a total of 596 foreign investment contracts which provided \$900 million in foreign funds, and \$316 million have been put to actual use.

The foreign investments are being directed to the right places. Last year, 90 percent of the foreign capital was directed to energy- and raw and processed material-related projects. Of the 37 foreign-funded enterprises approved, 35, or 94 percent, were production-type enterprises; they were all export-oriented enterprises that earn foreign exchange.

Last year, Hunan Province's foreign-funded enterprises already in business saw a significant increase in export and foreign-exchange revenue. Their exports earned \$140 million, 1.3 times the amount in the previous year. These enterprises have become Hunan Province's main foreign exchange-earning force.

The "three forms of import processing, and compensation trade" also saw rapid development last year. Among the newly approved compensation trade projects, Lianyuan Iron and Steel Plant alone utilized as much as \$10 million's worth of foreign capital. The completion rate of import processing and assembly contracts was higher than ever before. For the year as a whole, \$5.62 million in conversion charges were earned, three times the amount earned in the previous year.

### Guangdong Foreign Trade Recovers From Slump

90OH0398B Guangzhou YANGCHENG WANBAO  
[YANGCHENG EVENING NEWS] in Chinese  
23 Jan 90 p 1

[Article by reporter Guang Xinjian (6782 2430 1696): "Guangdong's Foreign Trade Turned the Corner: Last Year's Total Export Worth \$8 Billion"]

[Text] After recovering from the "slump," Guangdong's foreign trade really turned the corner last year, with total export valued at \$8.03 billion, fulfilling the state plan by 155 percent, seven percent more than in 1989 [as published], and the increase in net foreign exchange revenue also kept pace with the increased trade.

Last year, Guangzhou implemented "double adjustments" of the export commodity-mix and the export market structure in a timely fashion and went all out to promote its high added-value manufacturing industry in the overseas markets. For the first time since the recovery, the export of ceramics, knitwear and cotton goods, garment, shoes, plastic wares, toys, all kinds of carrying cases, and other light and textile goods rebounded to account for 55 percent of the province's total export. Provincewide, there are more than 100 mainstay products whose annual export is worth \$10 million or more.

Last year, Guangdong Province sponsored a Macao Exhibition and Sales Fair and began knocking at the EEC's door. At the Brazilian Fair, they had a chance to explore channels to Latin American trade. By widening the path to the north, south, east, and west, Guangdong has expanded economic interchange and cooperations with the Soviet Union, Taiwan, Japan, and the Middle East and is beginning to put different emphasis on different markets and is aiming for greater market diversification. Compared to the year before last, while export to Hong Kong and Macao has increased 10 percent last year, export to Japan saw an 18 percent increase, the Soviet Union and the Eastern European countries saw a 31 percent increase, and Taiwan saw a seven-fold increase.

### 1989 Inner Mongolia Export Earnings Top \$300 Million

90OH0398A Beijing GUOJI SHANGBAO in Chinese  
25 Jan 90 p 1

[Article by Xing Fengping (6717 7685 1627): "Inner Mongolia's Export Surpassed the \$300 Million Mark"]

[Text] In 1989, Inner Mongolia surmounted all kinds of problems and achieved remarkable successes in the area of foreign trade. By year-end, including frontier trade and barter trade, their total export was worth \$335.32 billion, 152.61 percent of what the state had planned, surpassing the \$300 million mark for the very first time.

Inner Mongolia has adopted a guiding principle to "open up to the north, link up with the south, push forward in

both directions, serve the whole country, and invigorate Inner Mongolia" and is taking advantage of the superior factors as an autonomous region to expand the scope of foreign trade. While they have improved their foreign export based on spot exchange, they have also taken active steps to increase frontier trade, barter trade, and economic-technological cooperations with the Soviet Union, Mongolia, and the Eastern European countries. Frontier trade, barter trade, and economic-technological cooperations with the Soviet Union and Mongolia reached a new height in 1989, and trade relations was established with most Eastern European countries last year. Exports to the Soviet Union and Mongolia were worth \$63.02 million, 18.8 percent of the region's total export. A total of 28 economic-technological cooperative ventures were entered into with the Soviet Union and Mongolia; these ventures are worth \$6.37 million. To date, the region has sent 3,318 workers abroad. Meanwhile, they are vigorously promoting an export business which is based on the processing of customer-supplied and imported materials. More than 20 countries and regions have become potential partners. These exports earned as much as \$15 million, or 5.5 percent of the revenue from exports, last year.

#### **Advanced Foreign Technology Welcomed in Shandong**

OW2702014290 Beijing XINHUA in English  
1505 GMT 24 Feb 90

[Text] Qingdao, February 24 (XINHUA)—Foreign firms are welcome to set up advanced technology and export-oriented enterprises in Shandong Province in east China.

The foreign firms can make investment in the form of joint ventures; solely foreign-invested enterprises; having local firms process supplied materials according to their designs; and engage in compensation trade.

The province recently announced a list of major projects for foreign cooperation this year. It will focus on cooperation in textiles, machine building, electronics, chemicals, and light industry.

At the same time, the province's special economic zone still puts priority on energy, transport, telecommunications, and raw materials.

Light industry projects will concentrate on developing household electrical appliances, processing plastic articles with supplied materials, shoes, hardware, toys, paper, watches, sewing machines, and [word indistinct].

The textile industry is developing products using new technologies, printing and dyeing, garments, knitwares, and silks.

The machine building and electronics industries are concentrating on microcomputers, electronic parts, meters and instruments, digital machine tools; and sealing and fastening parts.

The chemical industry is developing fine chemicals, resins, high-grade fertilizer and herbicide, high-class dyestuffs, feed additives, and petrochemicals.

The building materials industry is concentrating on kiln temperature control technologies, and sanitary porcelains, cement, marble, graphite, and granite, and the agricultural products processing industry is developing technologies for fast freezing food, producing feeds, aquatic products, processing marten, and canning fruit.

#### **Shandong Increases Textile Exports**

900H0327D Beijing GUOJI SHANGBAO in Chinese  
18 Jan 90 p 2

[Article by Liu Ming (0491 2494): "Shandong Has Worked Hard To Develop Textile Exports, Last Year Its Foreign Exchange Earnings Surpassed \$500 Million"]

[Text] In recent years, Shandong has attained remarkable results by adopting effective measures to increase the competitiveness and foreign exchange earnings of its textile industry. For 1989, the textile industry in Shandong realized a total output value of 10.3 billion yuan, and earned over \$500 million in textile exports. This is an increase of 30 percent over the previous year and has made textiles into a large volume export product for Shandong.

In the last two years, the Shandong textile industry has run into difficulties concerning rising prices of raw materials and a tight supply of funds. To counterbalance this, the Shandong provincial government and the Light and Textile Industries Bureau adopted some effective measures to ensure normal production in the textile industry. For example, they implemented a directed type of supervision for cotton yarn and unfinished cloth, and, made sure that energy and materials were first supplied to enterprises that have high foreign exchange earnings and show good results. Due to these supportive measures, even though Shandong was working under difficult conditions in its textile exporting, it was still able to make considerable progress. Take for example cotton knitted goods, the 1989 export value of this product more than doubled in comparison to that of 1987. Clothing exports for 1989 increased by 13 percent over that of 1988, totaling \$130 million.

It is reported that in 1990 Shandong will continue to adopt measures that encourage the exporting of textiles, while at the same time, adjust the product structure and put effort into developing finished and finely processed products and reduce the proportion of unrefined products in its exports in order to increase economic benefit.



### 1990 Outlook 'Bleak' for Shanghai's Textile Exports

900H0327A Hong Kong WEN WEI PO in Chinese  
5 Jan 90 p 29

[Article by Ruan Keqing (7086 0344 3237): "A Difficult Question Facing Shanghai's Textile Exports: The International Market Is in a Slump With Irregular Product Quality. Had Difficulty in Accomplishing Its Goal of \$360 Million in Exports"]

[Text] Ruan Keqing [7086 0344 3237], the deputy general manager of the Shanghai branch company of the China National Textiles Import and Export Corporation, expressed that he was not very optimistic about this year's textile exports. He revealed that only slightly over one-tenth of the agreements with foreign businesses had been concluded for January, and that he was extremely pessimistic with regard to the situation at the beginning of this year.

In addition, Ruan stated that, rapidly rising costs of raw materials and the falling quality of products has made it impossible to adjust the price of exports upward, and has resulted in a loss of revenue from exports. He worries that factories will not be able to endure a similar financial loss during the latter half of the year.

During an interview yesterday, Ruan Keqing stated that last year the Shanghai textile industry suffered from shortages of cotton and other raw materials, insufficient electric power, and poor quality. This created various export problems and made it difficult to accomplish its goal of \$360 million in exports. Looking forward to the situation this year, Ruan feels that even though the supply of electricity is guaranteed, and the problem concerning reliable cotton imports has been solved, he still does not feel optimistic about this year's situation because of the depressed international market and there being no way to guarantee quality. Ruan pointed out that the question of quality is especially serious. In the past two years, companies have received over 500 advance orders from trade partners, however, due to repercussions of poor quality, the trade partners now require a test sample prior to accepting goods.

He also stated that the quality problem has affected the ability to adjust product prices upward, creating a situation where the more exports there are the greater the loss. He explained that from last fall to now, the price of imported cotton has risen more than 30 percent while the price of textile exports has remained steady. At the present time, for every four yuan of these goods exported there is a loss incurred of one yuan.

In talking about the effect from the devaluation of the renminbi (RMB), he said that the devaluation is relative to increased exports and that to a certain degree it can reduce the losses incurred from the cost of exchanging currency. However, because the cost of imported raw materials is rising, an increase in prices for domestic

goods should also not be curtailed. With these offsetting each other, no matter how much devaluation occurs, the effect will only be minimal.

### ECONOMIC ZONES

#### Shandong's Yantai Moves To Attract Foreign Investment

OW2202111390 Beijing XINHUA in English  
0812 GMT 21 Feb 90

[Text] Beijing, February 21 (XINHUA)—All the 10,000 industrial enterprises in Yantai, a port city in east China's Shandong Province, will be leased, contracted by investors from abroad or run in forms of joint ventures or Sino-foreign co-operation this year, the PEOPLE'S DAILY (RENMIN RIBAO) reported today.

The aim of the move is to introduce more advanced equipment, technology and managerial techniques in a bid to make the city's products more competitive on the world market, the paper quoted Mayor Du Shucheng as saying.

To ensure successful implementation of the move, the city is ready to provide foreign partners with more preferential terms, Du said.

The city has approved 366 foreign-funded projects involving a total of \$288 million since it was given more autonomy in foreign trade in 1984.

More than 160 enterprises have been built solely or partly with foreign funds or in the form of joint ventures. So far, 60 enterprises have gone into operation. The number is expected to reach 100 by the end of the year, the paper said.

The city has also imported 3,400 complete sets of advanced equipment and upgraded some existing equipment with foreign technology over the past five years.

#### Joint Ventures in Shandong's Qingdao Successful

OW1602192790 Beijing XINHUA in English  
1605 GMT 16 Feb 90

[Text] Qingdao, February 16 (XINHUA)—Four joint ventures in the economic and technological development zone in Qingdao City of Shandong Province paid dividends of 626,300 yuan rmb (renminbi) (more than \$133,000) here today.

The companies are involved in textiles, plastic products, imaging and metal products.

The Hong Kong partner of the Qingdao-Huilian Textiles Co. Ltd., a joint venture between Qingdao and Hong Kong, got dividends of 371,200 yuan (about \$80,000).

The four companies generated 17.81 million yuan in industrial output value and exported more than \$2.2 million worth of products last year.

## LABOR

**Township Enterprises Accelerate Urbanization Movement**

W00H0335A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 3 Jan 90 p 3

[Article by correspondent Sa Ren (009A 0088), responsible editor Zhou Lei (0719 5623): "Population, Employment, Urbanization—A Summary of Viewpoints From the International Scientific Symposium on the Development of Village Communal Regions and the Population Shift"]

[Text] Introduction of the output-related responsibility system in agriculture and the natural growth of its manpower have created an increasingly larger surplus of manpower. The widespread application of science and technology and the continuously improving efficiency in agricultural production have more poignantly brought to light the serious, long concealed unemployment situation in the countryside. The shift of population to fields of nonagricultural production, their movement from one area to the other, and their urbanization is the trend of the time and the inevitable consequence of an agricultural country changing into an industrial country.

At the International Scientific Symposium on the Development of Rural Communal Regions and the Population Shift, held in December last year in Beijing, over 50 Chinese and foreign specialists and scholars engaged in a thorough discussion of the difficulty presently faced by all developing countries in common, namely the transfer of surplus manpower in agriculture and the development of village communal regions into small cities and townships. The conferees agreed that the situation in China will further worsen as a large surplus labor force in the countryside will be seeking employment, while the developing township enterprises will bring about employment opportunities and urbanization of the population.

Some projections indicate that China's rural labor force, which increases at the high rate of 10 million a year, will reach 500 million by the end of this century. It has also been calculated that China's agriculture itself could at most accommodate 200 million, township enterprises another 150 million, and diversification of agricultural production another 50 million. That still leaves a labor force of 100 million with an uncertain destiny. The problem of employment and placement of this labor force will, therefore, constitute an element of serious concern in China's economic reform and development for a considerable length of time in the future. Currents of unrest among workers on public projects that occurred in the spring of 1989, indicate the urgency for finding a solution of this problem.

The gradual shifting of manpower from primary [agriculture, animal husbandry] to secondary [manufacturing, mining] and tertiary [service trades, restaurants] industries, a shift that follows the socioeconomic developments and the progress in industrialization, is an

inevitable trend of economic development, as it is the same road that every industrialized country has once travelled. According to data in the "1987 Statistical Almanac of Labor," published by the International Labor Organization, employment in Britain's primary industry in 1986 accounted for two percent of total employment, for three percent in the United States, for five percent in the Federal Republic of Germany, and for nine percent in Japan. Although the shift of people from the primary to the secondary and tertiary industries in China during the 10-year period from 1978 to 1986 declined by an annual average of 27 percent, the proportion of those presently employed in agriculture is still between 60 and 70 percent, which includes 150 million of surplus manpower. Looking then again at the statistical data for the period from 1987 on, we see that the proportions of [a] industrial and agricultural output in the GNP and [b] the ratio at which the two branches of the economy absorbed manpower were [for a] seven to three and [for b] three to seven, a very strong contrast indeed.

Expanding employment and placement of rural surplus manpower means increasing investments. If we figure that we need an investment of 10,000 yuan to place one person, the total task would be something that would absolutely exceed the capability of national finance. This, then, is the true historical background to the development of township enterprises. During the 10 years of reform, township enterprises have already absorbed 95 million persons from surplus rural manpower.

The delegates at the symposium were of the opinion that apart from the topic of developing township enterprises, our attention in the matter of shifting manpower should also be focused on strengthening agriculture and the development of agricultural resources. We must not make return of manpower to the land our matter of first importance. Through the development and stimulation of a self-motivating mechanism and of coordinating system engineering in agriculture, we must, on the one hand, abolish the gap of the past between production and processing and the segregation of agricultural and commercial profits. We must also, on the other hand, increase the capacity of agriculture for socialized services, and must perfect such industries that are of service to agriculture. As far as agriculture is concerned, it is therefore necessary in the transfer of rural manpower to put the stress on the auxiliary industries that serve agriculture, so as to enhance the developmental capabilities of agriculture.

Some delegates referred to the fact that shifting surplus rural manpower on the spot by township enterprises has its rationality under the present conditions in China, and is the only alternative open to the peasants. However, the type of population shift that this will create will be one of shutting up village and township communal districts as units. This type will still not have broken away from the patterns of natural economy, and would make it impossible for township enterprises to create mechanisms for

utilization of manpower from society at large or from outside of their particular communal district. The delegates proposed that it is necessary to break down the seclusion of the rural communal districts, break down the boundaries of administrative divisions, institute manpower shifts across regional borders, thus allowing township enterprises and manpower to move to other towns and townships that are better developed and provide better investment climates. Underdeveloped townships will realize, by means of manpower exports, a readjustment of the economic structure and economic development. Developed townships will be able to further expand and develop, so as to become modern-type rural industrial districts and to form the common economic nuclei for a certain number of village and township districts. The development and establishment of these communal districts on a somewhat larger scale will actually conform to the law of economic development.

According to forecasts, China's rural labor force increases at the high rate of 10 million each year. By the end of this century, the rural labor force will have reached 500 million, while by the year 2000, agriculture will need only 200 million, township enterprises 150 million, and diversified agricultural operations will take up 50 million, leaving a labor force of 100 million with an uncertain future.

Delegates also analyzed some of the elements that presently obstruct the shift of surplus rural manpower, namely: 1) Problems related to food grain. They believed that the present grain supply system in China still retains an antiquated distribution system and circulation structure, and that there is a real contradiction between the grain circulation system, which is not a free market system, and the mobility of rural manpower in search of employment. 2) The current land management system, where the land, on the one hand, becomes a burden to those peasants who transfer to nonagricultural industries, and which, on the other hand, because of the steady income derived from land, remains for these peasants a kind of reinsurance, so that many peasants are left with no other alternative but to work in two industries concurrently. 3) The social status of peasants who have transferred to nonagricultural industries. Even though up to now almost 100 million peasants have transferred to nonagricultural industries, these peasants, now working in nonagricultural fields, have not yet had their status accurately acknowledged, neither in their designation nor in the ways they are dealt with socially. 4) The current census registration system was developed on the basis of steady employment and residence in a district of small-scale production of the past. It was conspicuously characterized by its control of a person's scope of activities and by restricting a person's choice of life environment. It is therefore necessary to institute as quickly as possible reforms of the relevant system and institutions.

At the conference, professor Ma Xia 7456 0204, a scholar of population science, called on everyone not to overlook the idleness and waste associated with the prevalence of surplus manpower. In his opinion, people

frequently only pay attention to the decline of productivity in township enterprises, and do not see the idleness of a huge rural manpower potential (i.e. hidden unemployment). The reason is that rural surplus manpower, with nothing to do, cannot possibly create value, and even when participating in agricultural production, it does not create value, because the work of three men is then done by five men, and the amount of new value that they create does still not exceed the value that would have been created by three units of the labor force. Therefore, even if the technical composition of the township enterprises declines, the average annual value produced by each unit of the labor force is only 1,490 yuan (average value for the period from 1980 to 1986), but if the rural surplus manpower—which can be counted in the hundreds of millions—cannot be gradually absorbed by the nonagricultural industries, then idle manpower will linger on, and this would be the most serious loss. The 100 million rural surplus labor force could in one year create at least 1,490 yuan x 100 million value; this is certainly not a small negligible figure.

He pursued this analysis one step further: Throughout its extremely long duration, China's feudal society had never formed a precapitalist "commercial capital," which would later have been transformed into industrial capital. Therefore, capital for China's industrialization had to come from—apart from their own accumulations of city industries and agriculture—township enterprises perhaps accumulating capital among rural handicraft shops and handicraft factories, thereby facilitating industrial modernization and the two kinds of shifts of rural population (i.e. transforming agricultural population into nonagricultural population, and village population into urban population). This, then, is the historical mission of township enterprises. The Chinese township enterprise, as far as its technical pattern is concerned, is a kind of transitional enterprise, as could be found in many countries during their early periods of industrialization. It starts out with handicraft labor and finally will, quite naturally, develop into a modern industry.

In its actual practice, China's economic reform shows that the rise of township enterprises, the shifting of rural population, and the development of small cities and towns are three elements forming one organic whole, closely integrated, in a mutual cause-effect relationship, and in the process of a simultaneous development. 1) Township enterprises are the material foundation for the rise of small cities and towns, provide capital for the self-development of the cities, furthermore absorb rural surplus manpower and transforms that manpower into a nonagricultural population. 2) In their occupational transformation, the agricultural population, on the one hand, satisfies the manpower needs of the township enterprises, and, on the other hand, infuses new blood (capital) into the cities and towns, while the rural population, with the regional changes of machinery, will also raise the level of urbanization. 3) The small cities and towns provide the township enterprises with favorable conditions for the accumulation of profits and initial



markets for the circulation of commodities, while, furthermore, they transform rural population that had moved into the cities into urban population. The three items are organically integrated and are the core of township enterprise development.

The specialists attending the conference did not deny the economic and social significance of urbanization. All agreed that there is a mutually stimulating relationship between urbanization, industrialization, and modernization. They were also basically in agreement with regard to China's road to urbanization: development of large cities must be controlled, medium-sized cities deserve to be developed in a rational way, and small cities and towns should be actively developed.

Some figures indicate that China's rural population moved into cities and towns at a slow rate during the period from the founding of the PRC to before the reform. However, during the 10 years of reform, the nonagricultural population in the cities increased from almost 120 million in 1978 to 200 million in 1988, with an annual average net movement rate of 36 per thousand, which was higher than the 34.7 per thousand rate of the 1950's, higher than the negative rate of movement in the 1960's, and the 7.6 per thousand rate of the 1970's.

Viewing the macrocomposition of the migration of rural population into cities and towns, we see that the township enterprises play an important role in generating attraction and absorptive capacity for the development of market places. This is another important achievement which must be acknowledged as an achievement of the Chinese peasantry.

An influential element is the disparity in incomes between cities and towns. Even though incomes in China's cities are comparatively high, the state controls the migration of rural population into the large- and medium-sized cities. For this reason, most of the movement of the rural population is only into the small towns and townships where incomes remain relatively higher.

Compared with the industrial transformation, the regional shift of rural population is relatively slow. A survey in the suburbs of Shanghai indicates that from 1980 to 1985 the decline of rural manpower throughout the suburban rural districts was a net 784,000 persons, while during the same time the accumulation of people at market towns in the suburban districts increased by only 123,000 persons. The delegates discussed the following three problems that arise in the course of the urbanization of the rural population: First, the instability of the development. Even though the tendency during the last 10 years was on the whole one of population increases in the rural market towns in the suburban districts, in quite a number of market towns each year's increase during the period from 1985 to 1988 showed a decline. Second, treatment of urban population as nonurban population has the effect that the new and the old population among the urban population cannot enjoy equal benefits. Third, the inclination of having no

complete separation by an attitude of "leaving the soil but not leaving the villages" has the effect that peasants engaged in nonagricultural work are neither attached nor separated from the soil. He suggested: 1) The state must guarantee that there will be no change for a long time in the policy of allowing peasants to enter the towns and get residential status there, and that there will be no sudden changes and sudden ups and downs in this respect. 2) Enhancing the capacity of cities and towns to accommodate peasants and a gradual reduction of the disparity between the two large groups in treatment and benefits. 3) Gradually urging the peasants to genuinely "leave the soil and also leave the village," as a beneficial move for the development of right-scale cultivation of the soil, to save arable land from going to waste, and to enable rational planning of residential areas for peasants.

Many of the delegates at the conference brought up that urbanization of the rural population is a great item of system engineering, and that it is therefore necessary for the state to effect rational macroeconomic regulation and control in a planned way with regard to the peasants who enter the towns to settle there.

The specialists also discussed other forms of migration of the rural population, such as moving away from their native places and contracting for land elsewhere, exporting their labor to the cities, investing in the cities by starting factories, migration to China's western regions to open up those regions as pioneers, etc.

The specialists at the conference also inspected with great interest the embryonic form of a modernized new village within Beijing Municipality, namely Doudian Village in Fangshan Prefecture. They were full of the highest praises for the way that the village had actively readjusted its production structure, effected an integration of agriculture with animal husbandry, having agriculture support animal husbandry, and animal husbandry contribute to agriculture, realizing an agricultural ecology of a benign cycle and right-scale operations of both agriculture and animal husbandry. They were interested to see how the village, furthermore, developed resource-attuned and labor-intensive types of industries, which stimulated manpower shifts and production shifts. This, finally, resulted in agriculture and animal husbandry stimulating industry and sideline production, with industry and sideline production supporting agriculture and stimulating the overall economic development. The foreign specialists were especially interested in the successful way that industry was introduced into the village and how resource-attuned and labor intensive industries were developed, so as to absorb surplus labor.

The practice of China's economic reform proves that township enterprises bring employment opportunities and bring about urbanization. The rise of township enterprises, the shift of rural population, and the development of small cities and towns, these three elements form one organic whole. They are closely linked in a

cause-effect relationship, and develop simultaneously, in development with the township enterprises as its core.

### **Chen Muhua on Women's Federation, Central Circular**

*HK1402042390 Beijing RENMIN RIBAO in Chinese  
7 Feb 90 p 3*

[Article by staff reporter Xiao Du (2556 3256): "The Immense Power of Women Work—Chen Muhua Speaks About the Great Significance of the 'Circular' of the CPC Central Committee"]

[Text] On the afternoon of 3 February, Comrade Chen Muhua, vice chairman of the Standing Committee of the National People's Congress and president of the All-China Women's Federation, granted an interview to this reporter

Comrade Muhua happily said: The CPC Central Committee's Circular on Strengthening and Improving the Party's Leadership over the Work of the Trade Unions, the Communist Youth League [CYL], and the Women's Federation gave great support and encouragement to the cadres responsible for the work concerning women, and also acted as a powerful spur to their work.

Comrade Muhua said: Our party is the vanguard of the working class. Our country's Constitution also stipulates that ours is a socialist state under the people's democratic dictatorship led by the Communist Party and based on the alliance of workers and peasants. The broad masses of workers and peasants constitute the foundation, while the trade unions, the CYL, and the Women's Federation act as bridges that link the party and the government with the masses, so they are the major social pillars of state power. In this sense, we shoulder an important mission. From historical and present experience, both positive and negative, we have learned that we need to go more deeply among the masses to find out the difficulties and problems in their lives, to listen to their voice, and to mobilize and organize them to participate in the building of the two socialist civilizations. This is in fact our party's time-honored tradition, but such mass work was somewhat weakened in recent years. Therefore, the central document will play a significant role in promoting the improvement of the party's leadership style and in more closely uniting the people throughout the country to participate in construction and democratic supervision.

When talking about the functions of the Women's Federation, Comrade Muhua said that the Women's Federation is a major link between the party and women of all nationalities in all social circles, is a front for assisting the party and the government in conducting ideological and political education among women, is a base for training and providing talented women, and is also the representative of the interests of women and children. Recently, the secretariat of the national women's federation held four successive meetings to study the central circular and work out a concrete plan for implementing

the spirit of the circular. The plan will be submitted to the upcoming fifth meeting of the sixth standing committee of the national women's federation for deliberation, and the standing committee will make a final decision on putting the plan into practice.

Comrade Muhua particularly expressed her opinion on the circular's demand that "the trade unions, the CYL organizations, and the women's federations work independently and creatively to execute their upper leading bodies' resolutions in light of the law and their own constitutions." She said, "Working independently does not mean 'putting on a one-man show.'" In the past and at present, thanks to the party's leadership and the support from all quarters concerned, we did and are doing a great deal of work smoothly and have scored achievements in our work. For example, we were able to take the initiative in launching the current "double-learning and double-competing" activities in the countryside because 13 departments and organizations joined hands in promoting such activities and ensuring their vigorous unfolding. In the field of safeguarding the interests of women and children and eliminating crime, we must also closely cooperate with the law-enforcing departments in order to work effectively.

Comrade Muhua said, "How should we perform our functions and take the initiative in our work? The women's federation is different from the party's functional departments, and cannot issue orders like the government departments. We need to work in a flexible, careful, and down-to-earth manner through going deeply among the masses to carry out ideological and organizational mobilization, and need to independently and creatively organize various activities suited to the characteristics of women, popular with women, and in the interests of women. At present, it is particularly necessary to conduct education in patriotism, socialism, independence, and hard struggle in order to strengthen women's national self-esteem and their confidence in taking the socialist road. It is necessary to make great and unremitting efforts to advocate the new women's mentality characterized by 'self-esteem, self-confidence, self-reliance, and self-strengthening,' and to encourage women to realize their own historic mission and social responsibilities. In particular, women cadres at all levels should win society's respect and understanding and leaders' trust and attention, and should also improve themselves and their own image and raise their level of political theory, general knowledge, and work capability."

Comrade Muhua said that the circular had given great impetus to the work concerning women and had also added more pressure to the work in this field. Cadres of the Women's Federation have confidence and courage to unite the women of all nationalities in all social circles to take an active part in reform and construction.

### Floating Population Nears 80 Million

OW1302182190 Beijing XINHUA in English  
0651 GMT 12 Feb 90

[Text] Tangshan, February 12 (XINHUA)—China now has a floating population of between 60 million and 80 million, and this sector will be the main focus of the fourth national population census of China, to begin July 1.

This was announced here recently by Shen Yimin, deputy director of the Office of the Fourth National Census Committee.

Most of the floating population are concentrated in the cities and towns of Guangdong, Fujian and Zhejiang Provinces. They are engaged in private business and construction work, and are registered as residing in the countryside.

China's last three censuses were conducted in 1953, 1964 and 1982.

## TRANSPORTATION

### Jiangxi To Complete 10 Transportation Projects by Yearend

40060034A Nanchang JIANGXI RIBAO in Chinese  
7 Feb 90 p 1

[Summary] Jiangxi plans to complete 10 large transportation projects by yearend. The projects include construction of a grade-1 cement highway from Nanchang to Gaofangling (15.3 km), a grade-2 cement highway from Jingdezhen to Luxi (10 km), new bridges at Fuhe, Wangmudu, and Qingxidu, and a new bus station at Pingxiang. Several road improvement projects will also be completed: upgrading of the 37.5-km Ruichang boundary road to a grade-3 asphalt road, upgrading of State Road 320 from Yichun to Wanzai (33 km) to a grade-3 cement road, and upgrading of State Road 105 from Jian to Jishui (27 km) to a grade-2 cement road. Finally, a power plant at Nianyushan will be completed and will help support the nearby shipping channel.

## AGRICULTURE

### Major Effort Made To Improve Water Conservancy Facilities

90OH0314A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 1, 1 Jan 90 pp 21-22

[Article by Dong Shi (0392 4258): "China Goes on a Farmland Water Conservancy Capital Construction Spree"]

[Text] Ever since the State Council's issuance of "Decisions on the Vigorous Development of Farmland Water Conservancy Capital Construction" in October 1989, a craze of unprecedented scale to renovate water conservancy has swept the country from north to south. Most

recent Ministry of Water Conservancy statistics show that in just slightly more than a month, more than 20 million, and as many as 50 million, peasants turned out for work every day. As of the end of November 1989, more than 800 million man days had been invested in water conservancy construction nationwide, 1.3 billion cubic meters of earth moved, and a 14 million mu irrigated area newly added, reconditioned or improved. In addition to a 5.9 million mu waterlogged area, 2.3 million mu of alkaline, saline, and easily inundated low-yield fields were transformed, and a 3,900 square kilometer erosion area brought under control.

Why was there such a "craze" for farmland water conservancy capital construction during the winter of 1989? "Poor water conservancy means no grain increase" is a conclusion derived from reflection about faltering grain output for several years in a row. In 1988, more than 60 million mu in Hunan Province was drought stricken, 45 million mu of it becoming a disaster area in which the gross output of grain saw a net decrease of 2.7 billion kilograms from 1987. After 14 years of sustained drought, Shandong Province had an exceptionally serious major drought in 1989, which caused a huge decline in grain output. Analysis shows that unless a major meteorological change occurs during the spring of 1990, a spring drought will be a foregone conclusion, and it will be more serious than in 1989. In places under the same blue sky that have good water conservancy, the situation is vastly different. After 40 years of water conservancy construction, Jiangsu Province has formed a system of water conservancy projects against floods, waterlogging, tides, and inundation of low-lying land. Despite five consecutive years of population increase and decline in cultivated land, the amount of grain remained at 1,000 jin per capita. During 1988, summer drought and autumn flooding occurred in Hubei Province, 80 percent of the cultivated land suffering drought, and 7 million mu of farmland sustained inundation. Thanks to the fine water conservancy available, irrigation could be provided at once and waterlogging could be drained away in a timely fashion, good crops of grain, cotton, and oil-bearing crops being harvested.

"Water conservancy is the life blood of agriculture." These well-known words of Comrade Mao Zedong are still the motto of China's peasants.

What were the new features of farmland water conservancy construction during the winter of 1989? Minister of Water Conservancy Hou Jie (0186 2212) summarized five features as follows:

First, leaders paid close attention and took apart personally. In most of the country's provinces, municipalities, and autonomous regions, the top leaders personally directed operations, and quite a few provinces, municipalities, and autonomous regions also set up farmland water conservancy capital construction leadership teams or command posts, the deputy provincial governor (deputy mayor, or deputy chairman) taking charge as team leader or commander-in-chief. Quite a few places



also made farmland water conservancy construction achievements a part of the evaluation of leading cadres at all levels during their period in office.

Second was emphasis on real deeds with no showing off, "rushing headlong into mass action," or "blind direction." Every jurisdiction paid attention to three matters in farmland water conservancy construction as follows: First was the universal formulation of project plans and construction plans suited to specific conditions in a given area that took account of both the long range and the present; tackling in a comprehensive way problems concerning mountains, water, forests, fields, and roads, and doing all possible to equip each site as construction was completed at each site to get the most benefit from each site. Next was to take firm hold on the main contradictions limiting agricultural production, doing a good job in selecting the main points for attack. During the winter of 1989, Zaozhuang City in Shandong Province emphasized work on a project for completely equipping a 1 million mu wheat growing area providing whatever was lacking, with the result that 50,000 mu of winter wheat in soil that lacked moisture was able to drink life saving water.

Third was the introduction of scientific techniques. Xinzhou City in Shanxi Province used more than 10 simple applied techniques such as automobile tire sealing, rubber hydraulic pressure sealing, and chemical well cleaning to improve well walls in the renovation of more than 20 pump wells. The cost per well was only 80 to 200 yuan, but the water volume was increased by approximately 60 tons per hour for the pioneering of new ways to increase the amount of water in water short areas.

Fourth, every jurisdiction carried forward a spirit of self-reliance and arduous struggle, actively investing labor and funds. Statistics show a cumulative labor investment nationwide today that is twice again that of the same period in 1988. Government financial units at the province, prefecture, county, and township levels throughout the country have put up more than 800 million yuan of their own money, and the masses have raised 800 million yuan, both surpassing the amounts for the same period in 1988.

Fifth, every unit in society actively supported farmland water conservancy construction. The Chinese Bank of Agriculture called upon banks everywhere to increase loans for farmland water conservancy. The Guangxi Military Region issued a special notice calling on military units and militia throughout the region to take active part in farmland water conservancy construction. Shenyang City mobilized every quarter of society, those having money giving money, those lacking money giving materials, and those lacking materials giving labor to produce a situation in which city and countryside, workers and peasants, cooperated as a single entity in agriculture.

Reportedly numerous problems still exist in farmland water conservancy today, most important of which are the following: Because of inadequate financial investment, the equipping of projects has not kept pace in some areas where the earth moving part of projects has been substantially completed. Material supply channels are clogged. The amount of processed steel, timber, and other materials supplied within state plan is less than one-third the amounts needed. The gap is too big. Technical control standards are rather poor. In some places, project planning and design is crudely done, and quality of construction is not sufficiently high, etc.

In this connection, the Ministry of Water Conservancy has called on all jurisdictions to do a good job in the following regards.

First is to give serious attention to early stage farmland water conservancy construction engineering and quality control. All jurisdictions are to suit general methods to specific circumstances in drawing up water conservancy construction plans suited to the local area, and report them to the authorities in charge for examination and approval. They are not to begin work unauthorizedly. The quality of construction is to be controlled in accordance with relevant technical requirements, and projects are to be inspected before acceptance. Projects are to be equipped for use as they are completed so they can provide full benefits; half finished projects are not to be used. More should be done to supply materials. In particular, priority must be given to the supply of petroleum products, electricity, processed steel, and timber within plan.

"There is no need to go over the same ground again. The key lies in emphasizing quality, and in stressing actual results." At this time, when the craze for farmland water conservancy is still strong, Minister of Water Conservancy Yang Zhenhuai [2799 2182 2037] issued an appeal. He said that making use of the slack winter season to get going on farmland water conservancy construction is not an expedient measure, and you should not be over-anxious about achieving results. You should be persistent, and devote attention to it all year round so that this endeavor develops in a sustained, effective, and healthy manner.

#### **Stockbreeding Growth Continued in 1989**

HK2302024990 Beijing NONGMIN RIBAO in Chinese  
17 Jan 90 p 1

[Report by correspondent Fan Xiaoyu (5400 1420 3768) and reporter Cheng Yun (4453 0061): "Latest Statistical Data Provided by the State Statistics Bureau Shows Continued Growth in China's Animal Husbandry Production Last Year"]

[Text] The general agriculture investigation team of the State Statistics Bureau made an analysis of the forecast data of 30 provinces, autonomous regions, and municipalities across the country. According to this analysis, China's animal husbandry production continued to grow

in 1989. Both the amount of hogs, cows, sheep, and goats on hand, and the output of livestock products increased.

On the basis of a relatively high level in 1988, China's hog production in 1989 continued to grow. The estimated number of hogs sold for food in 1989 was 281 million heads, about two percent over 1988. The estimated number of hogs on hand at the end of the year was 345 million heads, an increase by 0.8 percent. The number of productive sows was 25.87 million heads, an increase by 2.7 percent. The momentum of growth in breeding cows, sheep, and goats remained. At the end of 1989, the estimated amount of big cattle on hand was 127 million heads, an increase by 1.5 percent. Of these big cattle, the number of cows on hand was 99.062 million heads, an increase by 1.1 percent. The total number of sheep and goats on hand was 210 million heads, an increase by 5.1 percent. The number of goats on hand was 96.306 heads, an increase by 5.9 percent, and the number of sheep on hand was 113.467 million heads, an increase by 4.4 percent.

With the sustained growth of the production of hogs, cows, sheep, and goats, the output of various livestock products increased steadily. According to statistics of various localities, China's total output of pork, beef, and mutton in 1989 was 22.58 million tons, 2.9 percent over 1988. The output of pork was 20.78 million tons, an increase by three percent. The output of beef was 960,000 tons, an increase by 0.5 percent. The output of mutton was 840,000 tons, an increase by 4.7 percent. The output of milk was 3.72 million tons, an increase by 1.7 percent, and such a growth rate was the lowest for several years. The output of wool was 230,000 tons, an increase by 4.7 percent.

#### Telephone Conference Targets Cotton Harvest

OW1402234890 Beijing XINHUA in English  
1447 GMT 13 Feb 90

[Text] Beijing, February 13 (XINHUA)—China is making huge efforts to boost cotton output this year.

Addressing a nationwide telephone conference this evening, He Kang, minister of agriculture, said China plans to produce 4.4 billion kg of cotton, 610 million kg more than last year.

To attain the goal, China has decided to raise the cotton purchase price to a new high. Cotton prices have been increased twice in the past two years.

Hu Ping, minister of commerce, has assured the localities of ample supplies of chemical fertilizer and plastic sheeting for cotton production in the coming months.

Various government organizations are now busy trying to increase the sown areas for cotton. The Ministry of Agriculture plans to allot 5.6 million hectares of farmland for cotton production, 250,000 hectares more than last year.

According to He Kang, the Ministry of Agriculture will push ahead with a "bumper harvest project" this year by using applied technology on 1.3 million hectares of cotton fields.

The minister urged the 74 high-quality cotton production centers to increase production capacity by breeding better seeds and training more farmers. The production centers account for one-third of China's cotton growing areas and produce 40 percent of the country's cotton output, according to the Ministry of Agriculture.

State Councillor Chen Junsheng told the provinces this evening to pay as much attention to cotton production as they do to grain production. Various localities can map out their own preferential policies towards cotton production in order to increase output, he said.

#### New Fish Breeding Centers Planned

OW0702122490 Beijing XINHUA in English  
0904 GMT 7 Feb 90

[Text] Beijing, February 7 (XINHUA)—China will build 18 fish breeding centers during the Eighth Five-year Plan (1991-95).

Eleven of the 18 centers will concentrate on fresh-water fish and the rest will be used for breeding shrimp, crabs, and other marine aquatic products.

Fresh-water fish cultivation will be concentrated in the Zhujiang River Delta, Taihu, Hongze, Dongting, and Poyang Lakes, while the marine cultivation centers will be built on the Liaodong and Jiaodong peninsulas, and the Bohai, East, and South China Seas and Hainan Island.

#### Chemical, Fertilizer Output Rises in January

OW1002002890 Beijing XINHUA in English  
0813 GMT 9 Feb 90

[Text] Beijing, February 9 (XINHUA)—China saw an increase in the output of chemical fertilizer and agricultural chemicals in the first month of 1990.

According to the Chemical Industry Ministry, the total output of chemical fertilizer hit 1.33 million tons in January, an increase of 8.3 percent compared with the same period last year, though chemical fertilizer was in small demand in January due to the agricultural slack season.

Despite the same problem in chemical fertilizer production, China produced 15,600 tons of agricultural chemicals in January, an increase of 27 percent compared with the previous January.

At the beginning of this year the ministry stressed that it would continue to give top priority to the production of

agricultural chemical products this year through preferential treatment in respect of funds, energy and marketing.

#### **Guangxi Sugar Output**

40060035B Beijing JINGJI RIBAO in Chinese  
14 Feb 90 p 2

[Summary] During the 1989-1990 pressing season, Guangxi hopes to harvest 10 million tons of sugarcane, and produce 1 million tons of sugar. The sugarcane area increased from 1,233,000 mu in 1977 to over 4 million mu in 1989.

#### **Jiangxi Afforestation**

40060030C Nanchang JIANGXI RIBAO in Chinese  
10 Feb 90 p 1

[Summary] As of 1 February, Jiangxi had afforested 3,125,100 mu.

#### **Jiangxi Tobacco Procurement**

40060030D Nanchang JIANGXI RIBAO in Chinese  
13 Feb 90 p 2

[Summary] Jiangxi has procured 103,894 dan of flue-cured tobacco, a 49.8 percent increase over the same period in 1989.

#### **Liaoning Rural Savings**

40060030B Shenyang LIAONING JINGJI BAO in Chinese 25 Jan 90 p 2

[Summary] By the end of 1989, rural saving deposits in Liaoning Province totaled 11,189,760,000 yuan, an increase of 2,469,690,000 yuan over 1988. Per capita savings were 501 yuan.

#### **Yunnan Farmer Income**

40060030E Kunming YUNNAN JINGJI BAO in Chinese 26 Jan 90 p 1

[Summary] In 1989 per capita net income of farmers in Yunnan was 477.89 yuan, a net increase of 50.17 yuan, or 11.7 percent, over 1988.

#### **Yunnan Tobacco Area, Price**

40060035A Kunming YUNNAN JINGJI BAO in Chinese 9 Feb 90 p 1

[Summary] In 1990 Yunnan plans to sow 3 million mu to flue-cured tobacco, produce 8 million dan, and procure 7.5 million dan. The procurement price for tobacco will increase from 131 yuan per dan in 1989 to 157 yuan.

#### **Yunnan 1989 Tobacco Procurement**

40060035c Beijing JINGJI RIBAO in Chinese  
17 Feb 90 p 2

[Summary] In 1989 Yunnan procured 8,570,000 dan of flue-cured tobacco, exceeding the plan by 14.28 percent.



**Rejecting Role of Intellectuals Creating 'Barren Desert'**

90ON0241A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 146, Dec 89 pp 53-55

[Article by Liu Xiaobo (0491 2556 3134): "China's Contemporary Intellectuals and Politics, Part VIII"; Part I was published in JPRS-CAR-89-047; Part II in JPRS-CAR-89-088; Part III in JPRS-CAR-89-107; Part IV in JPRS-CAR-89-114; Part V in JPRS-CAR-90-006; Part VI in JPRS-CAR-90-011; Part VII in JPRS-CAR-90-013]

[Text] (Continued from last issue.)

To pursue a political career, one must rely on a class or group with independent political power and stake his life on a social force that is likely to achieve political success. During the long period of feudal society, Chinese intellectuals staked their lives on open-minded monarchs and considered "becoming an outstanding scholar and then an official" their lifetime career. In modern China, the autocratic system is about to collapse after being subjected to domestic trouble and foreign invasion. In these circumstances, Chinese intellectuals worry not only about the rise and fall of their country, but also about their own opportunity in life and their political future. The destruction of imperial power politics is equivalent to the destruction of Chinese intellectuals. Consequently, they begin to call for reform and modernization. In the era of Kang Youwei, intellectuals still had a glimmer of hope on the emergence of an open-minded monarch, but the failure of "modernization" caused intellectuals to give up all hope on the Manchurian government of the Qing dynasty. As a result, the democratic national revolution led by Sun Yat-sen began. The failure of the 1911 revolution again dealt a heavy blow to Chinese intellectuals, and their hope of looking to the West to find solutions to China's political problems also became very slim.

Before Marxism was introduced in China, Chinese intellectuals trusted neither traditional dictatorship nor the masses at lower levels. Since the only thing they could find was the science and democracy of the West, they tried to save the country with democracy and science, while carrying out criticism in two directions: up and down—namely criticizing the dictatorship and the ignorant public. Lu Xun's early works are typical examples. But the disappointment resulting from the failure of the 1911 revolution caused Chinese intellectuals to doubt the feasibility of the Western democratic system in China even during the "May 4th" period. Those intellectuals who vigorously advocated democracy and science in the "May 4th" Movement did not have a firm and clear demand for democracy deep down in their hearts. Besides, the fact that the voice of enlightenment did not get a widespread response from society at the time further deepened such doubt. We may say that during the "May 4th" Movement, no matter how sure Chinese intellectuals appeared to be about democracy, deep in their hearts they were depressed by uncertainty.

They were uncertain because they could not find a reliable political power to realize their noble ambition of administering the country. They were depressed because they could see no hope in politics. Lu Xun's *Weeds* typically expressed such mental sufferings. It was under these circumstances that the success of the "October Revolution" enabled Chinese intellectuals to see a reliable political power in their uncertainty and depression—the masses of workers and peasants. Moreover, since Marxism is also Western learning and the Soviet revolution achieved success under the guidance of this learning, their blind simple worship of Western theory and their strong belief in the success of the "October Revolution" enabled them to smoothly and unconditionally accept the Marxist theory on proletarian revolution when they were overwhelmed by their desire to rule and save the country before they conducted sober and rational comparison. Furthermore, the proletarian stand of this theory has a very appealing moral and "people's basis" quality that can arouse the enthusiasm of the masses at lower levels, as well as satisfy intellectuals' political desire. Since the lower-level laboring public was the only political power that could possibly save China, and since the revolution of the laboring public had already succeeded in the Soviet Union, Chinese intellectuals who considered political career as their first tenet were bound to volunteer to embrace the laboring public and rely on this force to realize their political ambition.

Chinese intellectuals did not thoroughly analyze China's reality at all, nor did they fully understand that Marx's theory of proletarian revolution is based on the full development of capitalism. Still less did they know how to define the nature of the "October Revolution" in the Soviet Union. In other words, whether it was democracy, science, peasants' uprising, or proletarian violence that saved the country, no matter how much difference there was between these political revolutions, as long as they were successful politically, they were extremely appealing to Chinese intellectuals. Such blindness that does not care about the nature of political revolution but only about political success and failure comes precisely from the political characteristic of Chinese intellectuals. In politics, the one who has succeeded becomes the king and the one who has failed becomes the traitor. It is only natural for Chinese intellectuals to go after those who have achieved political success. So when Mao Zedong stood at the Tiananmen and declared the birth of a new political power, even those intellectuals who were not engaged in politics during Mao Zedong's peasant revolution, unconditionally supported Mao Zedong and worshipped the broad masses of people who helped Mao Zedong win state power. Therefore, it was not at all strange for intellectuals to worship both Mao Zedong and the people after the founding of the PRC. It was also inevitable for them to receive voluntarily the reeducation of workers, peasants, and soldiers. Therefore, like their predecessors who pursued official positions, Chinese intellectuals' integration with workers and peasants is also to pursue a political career and realize their value in political activities. Receiving the reeducation of

workers and peasants or intellectuals' integrating with the working people is the only way for current Chinese intellectuals to realize their political goals.

In sum, intellectuals integrating with workers and peasants and following the road of the working public is oriented toward politics, whether it is judged from the theoretical inclination of Marx himself, the founder of the communist movement, or from the actual behavior of Lenin, Mao Zedong, and others who carried out the communist movement; whether it is judged from the traditional political characteristic of Chinese intellectuals or from the actual activities of current Chinese intellectuals. The key question is: What significance does such political behavior really have on human progress? Is its value negative or positive? What kind of trouble will it create in the future if it is negative? More important, we must not answer these questions only from the angle of dictators persecuting intellectuals. Instead, we should look at it from a broader background beyond individuals' suffering and personal grievance. If we simply condemn the way intellectuals suffered in rural areas, we will be simplifying the political activity that will create numerous troubles in the future. We will also be covering up to a certain degree the great danger of such political activity.

I think that, judged from the high plane of overall human development, considering the ignorant public as the only advanced social force promoting historical progress, eliminating intellectuals' role as the motive power and guide of social development, and denying the independent value of knowledge can only cause us to move against the trend of historical development, violate human nature, and result in barbaric and violent modern obscurantism, which is exactly the best soil of society for the birth and maintenance of modern autocracy. After knowledge and intellectuals lose independent social status and value, mankind will lose wisdom, imagination, and ideological initiative. The most valuable rights of the freedom of thought and speech will be lost. Losing all this, mankind will move toward shrinking creativity and expanding destruction. The revival of obscurantism and autocracy will be inevitable.

Marxism worships materials, manual labor, and an ignorant public, believes that the working class is the most revolutionary and advanced social force, and entrusts to the working class the heavy historical task of liberating all of mankind and making the world a perfect place. This is a childish fantasy built entirely on the basis of dogmatic moral passion. Whoever is utterly destitute, totally uneducated, and at the lowest stratum of society has the best moral quality, highest revolutionary enthusiasm, and strongest revolutionary will power. Like the Chinese described in the Cultural Revolution period: "Although peasants' faces are black, their hearts are red. Although they have cow shit on their feet and calluses on their hands, their thinking is sweet-smelling and their morals are pure and noble." Can such inference be established? Can the society of mankind enter a completely equal and free communist society as Marx, Lenin,

and Mao Zedong believed by replacing the democratic system and pure knowledge produced through rationalization with moral sympathy for sufferers and an absolute belief in the moral quality of sufferers? Obviously not. Worshipping ignorance is the same as worshipping the inhumanity and animality of mankind. Animality does not have self-consciousness and cannot use wisdom to conduct a rational system and technological design. The only results of this are as follows: 1) Handing state power to ignorant people is bound to cause confusion in social management, a reduction in human productivity, and a decline in intellectual level. During the early period of the "October Revolution," the Soviets appointed some ministers who used to be workers, resulting in severe confusion in management. Finally, the Soviets could only carry out a high-priced bribery policy toward the so-called bourgeois experts. China's situation was worse. After 1949, state power was controlled by a large group of people who used to be peasants and knew nothing at all about modern natural science, causing the national economy to suffer one grave loss after another. Rule by the ignorant reached its peak during the Cultural Revolution. Benighted workers, peasants, and PLA [People's Liberation Army] officers and soldiers not only controlled the leadership of all departments, but also occupied all intellectual organizations in China. Consequently, factory management was almost paralyzed, education was on the brink of collapse, and all aspects of the state returned almost to the primitive state. 2) Failing to rely on a rational system and to apply scientific knowledge to management is bound to cause confusion. In order to stabilize the social situation and maintain the interests of the ruling class, the use of barbaric and violent means of dictatorship is inevitable. Lenin said that proletarian dictatorship was violent by nature, which was absolutely correct. Ignorant people do not have reason and consciousness. They can rely only on primitive, violent means to carry out dictatorship because they do not understand at all what the rationalized organization and system of human society is and that human society needs law, democracy, and social morality. What the ignorant people have experienced in their primitive manual labor is only the strength of the human body and materials. They do not trust the human mind and consciousness, only the human body and materials. Therefore, when they control the power, they are bound to treat human society with the means they used to treat inhuman nature and animals. Such means can only lead to violence and animality. Human beings are human beings because they have reason, science, knowledge, and a social system that is different from animal organizations. Competition between men is primarily the competition of wisdom and creativity, whereas competition between animals is the competition of body strength. The former may guarantee through knowledge and system a peaceful, orderly, lawful, and moral competitive relationship, but the latter can only carry out violent, disorderly, and inhuman competition through violence and the body. Because of this, benighted management can exist only in the obscurant period of mankind when force was the means to conquer.

In modern times, mankind has begun intellectual management under which competition can be carried out in a completely peaceful, equal, and free manner. However, Marxist worship of the ignorant has resulted in the violent dictatorship of modern obscurantism. 3) Considering ignorance as pride and the precondition of revolution and education as shame and the precondition for counterrevolution is bound to arouse the rebellious enthusiasm of the ignorant public who have no idea what law and morality are. It is bound to stir up their mad hatred toward the knowledge and culture of mankind. It will also cause them to use the method of revolution to unlimitedly let off their hatred and use their power to demand absolute spiritual and intellectual equality, which is absolutely impossible. The prerequisite of absolute spiritual and intellectual equality of mankind can only be that all men are ignorant. Only when everyone equals to zero can there be absolute equality. The result of this is the ignorance of whole society. China's Cultural Revolution was the best example. 4) Class nature is used as the criterion for judging the right and wrong of scientific knowledge. An inference induced from this is that any knowledge unacceptable to the most revolutionary proletariat is counterrevolutionary knowledge serving the bourgeoisie, and, therefore, should be negated, denounced, and overthrown. The result of this can only be denying the most outstanding intellectual achievements of mankind. What is more ironic is that these most outstanding achievements cannot be overthrown by the rude and impetuous acts and barbaric dictatorship of the proletariat. Their vitality is much stronger than that of proletarian dictatorship. The Soviet Union and China have both criticized "the theory of relativity," "genetics," and "the theory of population" as counterrevolutionary theories, haven't they? What was the result? It did not hurt the greatness of Einstein at all. It only embarrassed those who criticized it.

We may say that the whole world lost its balance in the 20th century. On the one hand, motivated by scientific knowledge, technology, and a rational democratic system, Western society has developed by leaps and bounds. "Knowledge is power"—this famous remark has been supported by increasingly certain evidence in Western society. As knowledge becomes richer, society will become more and more rational, and the rationality of the social system will, in turn, accelerate the development of knowledge. Rapidly growing material wealth and increasingly rich spiritual wealth have made education universal, which has not only made the independent status of intellectuals more and more stable and higher, but has also enabled other strata to improve the quality of their life in the direction of intellectuals. Not only can the ignorant not become leaders of everything; they probably cannot even find decent jobs. It is by relying on belief in the power of knowledge and in the perfection of a rational democratic system that Western society has eliminated not only those utterly destitute proletarians, whom Marx used to call those who have nothing, in the field of the economy but also those ignorant obscurantists in the field of culture. The modern development of

the West indicates a trend of human development that is completely different from what Marx pointed out. Instead of intellectuals integrating with the working people and the proletariat, the trend of human development is that the working people master knowledge and become the propertied class. Spiritual level does not rise as material level rises. Instead, material level rises as spiritual level rises. Violent revolution does not make human society develop by leaps and bounds. Instead, peaceful reform creates leaps in the development of mankind. Ignorance always accompanies violence and autocracy, whereas knowledge always accompanies peace and democracy.

On the other hand, motivated by ignorance and autocracy, Eastern society has put more than one-fourth of the world's population in universal degeneration. "What the proletariat lost in this revolution is only chains. What they will gain is the whole world." This famous remark of Marx in the conclusion of the *Communist Manifesto* has been changed in the Soviet Union and China into the following: "What the proletariat lost in this revolution is only freedom. What they will gain is chains." The double poverty—economic and cultural—and proletarianization have made the life of the people of these two nationalities wither. In order to satisfy autocrats' ambition to dominate the world, a large amount of wealth and knowledge is used to build nuclear weapons instead of improving the living standards and cultural level of the whole people. The autocracy of the Soviet Union has spread all over East Europe. Due to China's weakness, Mao Zedong could only use a large amount of money to build his own dream of the "Third World." If West Europe and the United States were not strong, the autocratic desire of Chinese and Soviet dictators would have extended endlessly to the whole world. The more ignorant and benighted a person is, the more autocratic and ruthless he will be. The integration of intellectuals with the working class and the proletarianization of the propertied class have turned the communist world of the East into a barren desert. This is the evil consequence of not believing in knowledge, intellectuals, and a rationalized democratic system.

(To be continued.)

#### Procurator General Discusses Anticorruption Campaign

90ON0284A Beijing LIAOWANG [OUTLOOK] in Chinese No 30, 11 Dec 89 pp 4-5

["Interview" with Liu Fuzhi, procurator general of the Supreme People's Procuratorate by reporter Shi Chaoxu (4258 2600 2485): "Resolutely Carry Out the Fight Against Graft and Bribery in a Penetrating and Sustained Manner"]

[Text] After the Supreme People's Court and the Supreme People's Procuratorate issued the "Circular Concerning That Criminals Guilty of Graft, Bribery, and Profiteering Must Voluntarily Give Themselves Up and Confess Their Crimes Within the Time Limit," an



upsurge was formed across the nation in the struggle against graft and bribery. Now that the time limit within which whoever surrenders and confesses will be given leniency has expired according to the circular, in what way will the struggle against graft and bribery be carried out from now on? At a recent national procurators' meeting, I interviewed Liu Fuzhi, procurator general of the Supreme People's Procuratorate.

#### **The Issuance of the Circular of the Supreme People's Court and the Supreme People's Procuratorate Achieves Outstanding Results**

First, Liu Fuzhi told me some situations occurred after the issuance of the circular. He said that after the issuance of the circular, party committees, the Standing Committees of the People's Congress and governments at all levels gave vigorous support and great publicity, and the masses of people also responded vigorously, thus quickly stirring an upsurge across the nation in the struggle against graft and bribery. Incomplete statistics show that from 15 August to 31 October, a total of 36,771 criminals guilty of graft and bribery turned themselves in to procuratorial organs. Of these, 742 were cadres at county and section levels, 40 were cadres at department and bureau levels, and two were cadres at the deputy provincial governor and vice minister levels, respectively.

Procurator General Liu Fuzhi said that, judging from the reports of provincial, autonomous regional, and municipal procuratorates, Hunan Province had the highest number of people turning themselves in, totaling 3,700-strong, who handed over 22 million yuan in illicit money. Guangdong Province had the highest amount of illicit money handed over by those who surrendered voluntarily. More than 3,200 people turned themselves in and handed over a total of 48 million yuan in illicit money.

Procurator General Liu Fuzhi said the circular of the Supreme People's Court and the Supreme People's Procuratorates demonstrated the influence of the party policy and the deterrent power of state law. It showed the determination of the party and the state to severely punish and handle the crimes of graft and bribery, frightened criminals, and encouraged thousands of criminals to surrender, confess, plead guilty, and obey the law, thus saving a large group of people and increasing the anticorruption confidence of the masses.

First of all, the implementation of the circular gathered great momentum, forcing criminals to quickly turn themselves in. For example, on the night of 15 August, Ying Jiancheng [2019 0256 2052], a bookkeeper at the Tangxian local branch of the Yongkang County Branch of the Agricultural Bank of China in Zhejiang Province, saw the circular on TV and went to turn himself in before the night was out and confessed his crime of misusing over 440,000 yuan of public funds. On the night of 31 October, namely the last day of the time limit specified in the circular, a responsible person of the purchasing

and sales department of the Qingyuan City Department Store in Guangdong Province who was on a business trip in Nei Monggol, telephoned his unit and asked the company's manager to turn him in to the city procuratorate to tell that he had embezzled 10,000 yuan. Fifty-two people from the Guanqiao Grain Management Center of Huazhou County of Guangdong Province also turned themselves in to the county procuratorate on the night of 31 October to tell the story of their collective embezzlement and returned all ill-gained money. On the last day of the time limit of the circular, Shanghai Municipality alone had more than 400 people giving themselves up to the procuratorates. At the doors of some procuratorates, people even lined up to turn themselves in. There were also people flying to Shanghai from Guangzhou to turn themselves in.

Second, the number of graft and bribery cases accepted and filed by procuratorial organs for investigation and prosecution has increased substantially. From January to October 1989, procuratorial organs throughout China accepted over 85,000 graft and bribery cases, a 1.8-fold increase over the 35,000 cases in the corresponding period of 1988. They filed nearly 50,000 cases for investigation, a more than twofold increase over the 16,000 cases in the corresponding period of 1988. They initiated public prosecution proceedings with the people's courts against more than 15,000 people, a more than onefold increase over the 7,300 people in the corresponding period of 1988. They recalled over 300 million yuan of renminbi in spoils and illicit money.

Third, breakthroughs were made in the progress of investigating and handling major and important graft and bribery cases. From January to October 1989, procuratorates across the country filed 10,000 major cases which each involved over 10,000 yuan of graft and bribery (about half the offenders in these cases turned themselves in), an increase of more than threefold over the 1,800 cases in the corresponding period of 1988. They investigated and prosecuted more than 1,000 important cases that involved graft and bribery of cadres at and above county and section levels, an increase of onefold over the corresponding period of 1988. Among these cadres, 76 were at department and bureau levels (eight in 1988), one was at the deputy provincial governor level, and two were at the vice minister level. For instance, Zhang Xuanzheng [1728 6693 2398], responsible person of the Shenzhen City International Trade Service Company, who collaborated with others in embezzling over 1.3 million yuan, and Zhu Zidong [2612 1311 2639], who was wanted for a super bribery and smuggling case in Shenzhen City that involved over 1 million yuan of bribe and smuggling money, both confessed their crimes under the influence and coercion of the circular.

#### **Major Cases Need Special Attention; Investigation and Prosecution Need Further Efforts**

While affirming the great achievements of the circular issued by the Supreme People's Court and the Supreme

People's Procuratorate, Procurator General Liu Fuzhi also talked about some problems in the work of procuratorial organs. He said that, judged from the national situation as a whole, the development of work in different localities is not even enough. Some localities and comrades do not fully understand the seriousness of the struggle against graft and bribery. Their attitude is not firm, their measures are not effective, and they have the problem of being softhearted. For instance, they do not vigorously carry out the initial investigation of leads for many cases and fail to file cases that need to be filed. They do not hit hard enough at some cases.

Second, the work lacks depth. Most of the cases turned in and confessed during the time limit of the circular were floating on the surface. Many better hidden criminals have not been exposed. Many major cases, especially important cases, have not been touched or solved. Moreover, there are still criminals braving the "wind" to commit crimes and defy the law. They have not restrained themselves because of the severe attack. Therefore, we must fully estimate the protracted, complex, and formidable nature of the struggle against graft and bribery.

Third, the work shows signs of rashness. From now on, all cases, including those in which offenders turn themselves in, must be handled in strict accordance with filing and investigation procedures and prosecuted after all facts are verified. In addition, the problems of procuratorial organs such as the difficulty of carrying out investigation and gathering evidence, the lack of manpower, fund shortages, and inadequate and backward investigation facilities should also be gradually solved to meet the need of the struggle.

#### **The Circular Has a Time Limit, the Anticorruption Struggle Has Not**

Based on their experience in previous political movements, Chinese people are extremely worried that this anticorruption struggle, which corresponds with popular demand, will come in like a lion and go out like a lamb after the time limit of the circular or that the waves will calm after the "wind" is past. At the same time, under the deterrence of the circular, some criminals guilty of graft and bribery may retreat for the time being or try to chance it by covering up criminal facts, thinking that once the "wind" stirred up by the circular is past, they can muddle through and evade legal sanctions.

In view of these problems, Procurator General Liu Fuzhi resolutely stated that we must carry out the struggle against graft and bribery in a deep-going and sustained manner. The circular has a time limit but the struggle against graft and bribery has not. For this, procuratorial organs at all levels will adopt a series of concrete measures to carry out the antigraft and antibribery work in a deeper and more sustained manner.

First of all, procuratorial organs should voluntarily accept the leadership of the CPC Central Committee and party committees at all levels, accept the supervision of

the National People's Congress, its Standing Committee, local People's Congresses at all levels, and their Standing Committees, and vigorously and voluntarily strive to get the support of governments at all levels. In actual work, procuratorial organs will continue to cooperate with the party's discipline inspection departments and the government's supervising, auditing, industrial and commercial, tax, and customs departments.

Second, solving major and important cases should always be considered as the central task. In order to strengthen leadership over investigating and prosecuting major and important cases, procuratorial departments across the nation will implement a system to assign responsibility to different levels: The Supreme People's Procuratorate will take the lead in handling the major and important cases of central organs and cases involving cadres at provincial and ministry levels and their family members; provincial, autonomous regional, and municipal People's Procuratorates will handle mainly violations of cadres at department and bureau levels; and prefectural, autonomous prefectural, and city People's Procuratorates will be responsible for handling cases involving cadres at county and section levels.

Third, we should continue to vigorously carry out informing and reporting work. Informing and reporting work is a new invention of procuratorial work following the masses' line. It has become an extremely effective way for procuratorial organs to rely on and mobilize the masses to fight the crime of graft and bribery. Between January and October 1989, procuratorates at all levels received 230,000 reports on bribery. Especially after the circular of the Supreme People's Court and the Supreme People's Procuratorate was issued, such reports doubled and redoubled. Over 70 percent of graft and bribery cases filed for investigation and prosecution by procuratorates are informed and reported by the masses.

Procurator General Liu Fuzhi emphasized that the informing and reporting work will be continued for a long time after the time limit of the circular. It will never be over just because the "wind" is past. Besides, this work has developed gradually into a system, namely warm receptions for informers, strict registration and recording procedures, and measures to keep informers' identities a secret and to provide protection and awards for informers. Relying on the attention of the central government at the top, the information provided by the masses at the bottom, and the efforts of procuratorial organs in the middle, it is certain that we will make greater progress in the struggle against graft and bribery.

Fourth, we should strengthen the building of the anti-graft and antibribery investigation organs in procuratorial organs. In July 1989, with the approval of the provincial party committee and with the support of the provincial government, the Guangdong provincial procuratorate established a bureau for antigraft and antibribery work. The Supreme People's Procuratorate affirmed and publicized this positive experience which gained the support of the National People's Congress.

Standing Committee. At present, most city-level procuratorates in Guangdong Province, the Sichuan provincial procuratorate, and Chengdu, Chongqing, and Harbin municipal procuratorates have also established similar organizations.

The Supreme People's Procuratorate has changed the original economic procuratorial office into the graft and bribery procuratorial office. Practice has proved that establishing anticorruption investigation organs is bound to strengthen and facilitate the investigation of graft and bribery cases, especially major and important cases, and benefit the leadership over the investigation work. Because of this, from now on, all localities where it is necessary and where conditions permit must establish as soon as possible investigation organs to fight graft and bribery so as to enhance this function of procuratorial organs.

Finally, efforts should be made to do a good job in the propaganda and education of the legal system in light of procuratorial work and continue to increase the momentum of the fight against graft and bribery to force criminals to turn themselves in and confess their crimes. While initiating public prosecution proceedings with the court against individual criminals guilty of the most heinous crimes, we should suggest that the court give them death sentences to be carried out immediately. This kind of severe punishment has the effect of "executing one to warn a hundred." At the same time, we should conduct systematic analysis of typical graft and bribery cases to increase the efficiency in case-solving and enhance the understanding of the broad masses of cadres and masses in the legal system.

#### Function of Prisons Seen Essential to Public Order

90DN0367A Beijing FAZHI RIBAO in Chinese  
22 Jan 90 p 2

[Article by Li Kangrui (2621 1660 3843): "Can Dictatorial Functions of Detention Centers be Negated?"]

[Text] Prisons are an important part of the public security system, one of the important tools of democratic dictatorship. They have the mission of confining counterrevolutionary and criminal elements, using cells, punitive devices, armed force, and guards to incarcerate offenders. They have great coercive powers by limiting personal freedom to the maximum extent.

Previously, due to the influence of bourgeois liberal thinking, some comrades in the party and in the masses lacked a comprehensive and accurate understanding of democratic dictatorship, feeling that the "exploitative class has been wiped out, class struggle has ceased, and there is no longer a target of dictatorship," thus sanitizing our adversarial sense and dictatorial consciousness. A minority who bore ill will toward the socialist system and democratic dictatorship began to tout capitalist themes, viciously attacking and maligning democratic dictatorship. Their pernicious influence was also

reflected in the work at prisons. The thinking of a minority of corrections officers became paralyzed, their alertness deteriorated, and they began to shut their eyes and ears to the destructive activities of the inmates. Individual corrections officers began to blur the distinction between them and the inmates, hobnobbing, dining together, even using their authority to play favorites for illegal gain, getting on the law-breaking road, teaching us a grave lesson.

The high walls of these prisons harbor class enemies and class struggle. The qualitative importance of prisons as a tool of democratic dictatorship remains unchanged. If anything, its dictatorial functions must be increased, not diminished.

It would also be necessary to strengthen dictatorial functions from the standpoint of the confined. At present, the inmates belong mainly in the following three categories: One, counterrevolutionaries, including newborn counterrevolutionaries, spies, those who pine for turbulence, antiparty, antisocialist elements who seek to divide the nation such as the hardcore or remnant elements of the Lin Biao and Jiang Qing counterrevolutionary cliques. Two, criminals with offenses involving disruption of public order and other serious crimes, such as murder, arson, rape, robbery, bombings, and grand larceny or the heads of gangs. Three, major economic criminals, such as corrupt officials, fraudulent speculators, smugglers, blackmarketeers, and so forth. Of course, there are other types of inmates as well.

Comrade Mao Zedong's essay "On Correctly Dealing With the Internal Contradictions of the People" discussed the question of resolving adversarial contradiction in the people's democratic dictatorship, pointing out, "We must exercise dictatorial measures concerning robbers and thieves, swindlers, murderers and arsonists, hooligan groups, and all other bad elements who seriously undermine socialist order." History shows that this is scientifically proven through practice. In the new era of socialist modernization, Comrade Deng Xiaoping has analyzed in depth the new situation arising out of the class struggle and public security after the basic changes in the class relationships of our country. He has repeatedly stressed the necessity of dictatorial measures toward hostile forces, counterrevolutionaries, and serious criminals. He said, "In a socialist society, there are still counterrevolutionary elements, enemy spies, and all kinds of criminal and other bad elements seeking to destroy social order, such as corrupt people, robbers and thieves, new exploitative, profiteering speculators, and so on. And these conditions may not be completely eliminated even in the long run. Struggle with them is not the same as the historical class struggles of the past (they do not constitute an openly integral class), but a special kind of class struggle, or it can be said to be a special historical legacy of class struggle under socialistic conditions. One must still exercise dictatorship with regard to all of these antisocialist elements."



Dictatorship must be strengthened from the viewpoint of the destructive activities of prison inmates as well. They have committed many serious crimes of economics, of violence, of guile. Many are desperadoes, they are anti-social, extremely vengeful, and seriously oppose pretrial investigation, indictment, and trial. Some collaborated in crime, fled to escape justice, or communicated with their fellow culprits in prison, passed plotting messages to each other, or took advantage of visitations and gift receiving to contact the outside or make collaborative deals, even cursing the corrections officials, or protesting their own innocence. Some do their best to destroy the prison furnishings, or try to mutilate themselves, or swallow glass, metal pieces, cup or toothbrush handles, and so forth. Or they deliberately use bed boards or cell doors to break their own limbs, or inject kerosene into their bodies so as to get out for medical attention. Some get together to provoke incidents, exert group pressure, humiliate, or even beat up others, becoming prison bosses, even beating some others to death. Some incite riots or organize plans to break windows or dig holes for mass breaks, or organize mass violence to exact vengeance or to murder guards. The overwhelming facts show clearly that, in the struggle between prison safety and dangers, between discipline and rebellion, between reform and anti-reform, the prison guards must increase their sense of awareness of the enemy, overcome their complacency and place the movements and words of the inmates completely within the range of their observation so that every move is known or even known beforehand, so as to be able to take preventive measures.

During this period of turmoil and the counterrevolutionary riots in the capital, quite a few rioters and turbulent elements had previously been confined for serious crimes or were those who had been released after finishing their sentences but remained unreformed. They harbored deep hatred for the Communist Party and for the socialist system, and joined with other dredges of society to become groups called "Flying Tigers," "Dare-to-Die," and so forth, boasting that they would seize power "Bastille style." In open collaboration with the hardcore elements of such illegal groups as the "Self Above All Union" or "Workers Above All League," they set forth to attack the Party Central Committee headquarters, the State Council, party and security branches, they set up roadblocks, seized weapons, burned military vehicles, beat or killed Liberation Army commanders, Armed Police, and Security Police officers. Conscienceless, they beat, broke, seized, burned and killed in terrifying counterrevolutionary violence. The grim reality of the struggle and the bloodletting have warned us: In the initial phase of socialism with economy-building as the core, class struggle remains, and is still a serious struggle within a fixed framework and time, and still a long term and complex struggle. Stressing strict governance of prisons according to legal, scientific, and civilized principles does not mean weakening the dictatorial functions of prisons, nor does it mean ignoring the legal rights of inmates, retracing the torturous path of "class struggle as a net." Full recognition and wielding

the dictatorial power of prisons really conforms to strictly lawful administration, enhancing the administrative education of inmates, raising the quality educating and reforming the criminal, fighting crime, protecting public order, preserving and promoting the establishment of modern socialism.

#### Footnotes

1. *Selected Works of Mao Zedong*, Volume 4, p 1,481.
2. *Selected Essays of Deng Xiaoping*, p 15.

#### Rising Crime, Immorality on Campuses Condemned

90ON0366A Beijing RENMIN GONGAN BAO in  
Chinese 16 Jan 90 p 1

[Article by Sun Fuhui (1327 4395 2585): "The Fall of the Favored"]

[Text] At one time, the college campus was "clean soil."

At one time, college students were considered to be "heaven's special favored children."

We don't know exactly when it began, but all this is changing. The on-a-pedestal, aloof from talk and money college student of the past has now become a proprietor of a cafe, a sidewalk vendor, or a businessman. The well-read and mannerly college student of the past has become a burglar, a murderer; some disseminate obscene merchandise, gamble, live together in sin, take dope...

Even as some harassed individuals feel "empty," "listless," cry that they are so "poor in cash," grinding their teeth, vowing that their children will become professors, the students behind college walls are throwing their books away and joining the "money," "drugs," "dancing," or "lover" cliques. No wonder many people are confused—what is it with these students?

#### I

Reform and opening up have crated a technicolored world for people. Some are bedazzled into not knowing what course to follow. College students are no exception.

Following the increasing prominence of a commodity economy mentality, college students began feeling waves of anxiety. Facing money, delicious food, sumptuous cabarets, kara OK, name-brand clothing, Nike shoes, these "spoiled children" lost their emotional equilibrium. They felt that they were nothing. So, a deep sense of having lost their direction enveloped them. At the same time, a deep sense of doubt lay dormantly festering.

To some, a "refined student" became a term of derision. Aloofness was gone, books lost their attraction. Thus, cafes, small vendor stands all appeared. Wall poster advertisements decorate campus walls outside dormitory windows, advertising pornographic books for rent. Paying money would get you such works as *Dream of Roses* or *Gambler for Love*, and so forth. When you pause

before a college bulletin board, you would discover sale notices for jeans from Guangdong, Shandong apples, Fujian sneakers, and sheepskin jackets from Xinjiang. Then there are nightclubs and salons of every description. By comparison, scholastic activities became fewer and fewer and of lesser priority.

These so-called "part-time employment to help pay for school" business activities reached a peak in 1987 and 1988. It was said that college students would not peddle dope or flesh and would not deal in weapons. Everything else was fair game for making money. After making connections, they sold badly needed steel materials, automobiles, raw materials needed for the chemical industry... To make money, it was inevitable that fraud and cheating would occur.

As the shock waves intensified, so would the degree of anxiety and uneasiness. Finally, those whose feet were not firmly on the ground began to wobble. One signal was the increase of robberies and thefts on campus. Of course a large portion of these crimes were committed by people in the community at large, but students accounted for a high proportion. Out of 24 solved robberies or thefts in the third term of Shanghai's senior high schools, 10, or 42 percent, were by college students. A Shanghai high school 1987 senior, Song Jun [1345 6511], committed more than 30 burglaries at his own school and six others, stealing big-ticket items such as cameras and bicycles valued at more than 10,000 renminbi.

A law student at a famous university met a habitual burglar during a practical study period. After questioning a number of times, this future jurist formed a unique relationship with the burglar, an unthinkable "alliance." The result was that, not long after graduating, he was sentenced to prison.

In a number of universities, a plastic-laminated identification card became an excellent criminal tool. In a college dormitory, a cassette recorder, a stack of coupons for purchasing vegetables, an amount of cash disappeared.

As to losing bicycles, few campuses were immune according to head-shaking campus security officials. Bicycle theft has become a "major calamity" at most schools. Some were ridden off for convenience and then sold; others were the result of large-scale thievery. Still others were stolen to be broken up for sale of parts. According to Xiamen University estimates, the annual loss was more than 450 bicycles. The monthly average was 40. There was a peak month when over 80 were stolen!

## II

Accompanying a fall because of money was a more frightening type, and that was loss of self-worth and dream of a future...

Granted, the student of today faces more difficulties than those of previous years. The temperature of "diploma fever" has lowered, society expects more of the college student now. A baccalaureate, master's, or even doctoral degree no longer automatically evokes a standing ovation. Among them, some must seek employment on their own and, so as to get an ideal position, must establish connections, give gifts, sharpen their wits to bull through. Even so, they often still have to wait for a few years because of a "contractual" obligation of "no transfer, no going abroad, no separate housing," (college students call this a "body-selling contract"). This would surely be tremendous pressure on young people just in their 20's.

As a result, some college graduates begin to doubt the value of their diplomas and the worth of their knowledge. Some began to home in on "study of connections." And others simply threw away their books and their sense of purpose.

According to the estimate of a prestigious university in Beijing, 6 percent of the school's students could not care less about studying. Based on this then, this school with an enrollment of over 10,000 must have 500 or 600 students just wasting away their academic time.

One college student gave this example. At a graduation meeting of one department of a major Beijing university, a professor asked, "All those who had never taken a makeup test in the past five years, raise your hands!" Out of 85 there, only 15. Following through, 20 had had to take examinations twice, six three times, three four times, and one five times.

If one is uncertain about the future, then spiritual loss is unavoidable. If this became intensified, all kinds of things could happen to give vent to personal feelings:

After a college ball game, wild shouting, banging or smashing utensils. Jeers during movies, hissing. After getting drunk, creating disturbances in empty classrooms, shouting. Suffering from insomnia, letting the air out of people's bicycle tires. At graduation, breaking up tables and chairs into "spare parts"... These are the creation of today's college students, and the way they get satisfaction.

Guitars! Billiards! Coffee! Dances! Touring the countryside! Banquets! These are also things that college students seek for satisfaction. Mesmerized by technicolor, feeling wanton, do these really mean one has grasped the meaning of life?

These are not the only strange things happening. More and more people are discovering on campus that the normally gentle, cultured inhabitants are now more apt to settle little incidents with fists.

On 19 September last year [1989], at a college in Jiangxi, a chemical industry major named Sun [1327] and one named Zhang [1728] got into an argument over listening to sports news on the radio. Sun grabbed a pair of travel

kit scissors and stabbed Zhang three times. The latter died despite having been rushed to medical aid.

At a school in Yunnan, a nonstudent youth with a girlfriend riding in tandem on his bicycle got into an argument with students cycling abreast and one student stabbed him to death with a knife meant for cutting fruit.

Isn't it terrifying to find the term "murderer" more and more associated with the word "student"?

### III

One college student blamed the current wave of immoral and lawless conduct on high school education. Truly, something is terribly lacking in a sense of morality and obeying the law among a minority of college students.

Last year, on 13 October, at a university in Beijing, a female psychology student named Jin [7246] laid herself on the tracks of the subway at Shuitan Station and committed suicide. The incident had a simple beginning. She was suspected by her dormitory mates, a Miss Lu [7120] in particular, of having stolen vegetable coupons, cash, and food items. So, one day, Miss Lu got her six roommates to open their respective cabinets for a search. Lu's boyfriend, a graduate student, also joined in this illegal search, loudly proclaiming, "If we find the guilty one, I'm going to beat her up." Nothing was turned up, but more than 50 vegetable coupons were found in Miss Jin's locker. Under the gaze of the rest, Lu expressed her suspicion of Jin. After that, she repeatedly gave Jin a hard time. 20-year-old Jin, in such a situation, immaturity chose to kill herself to clear her name.

How diluted had the sense of law-abiding become on the part of these 20-year-olds and a 27-year-old graduate student?

To the outsider, including those young people who aspired to go to college, a college student was described in such terms as "refinedly courteous; genially cultured and dignified; profound conversationalist; greatly knowledgeable and wise; and light-hearted in actions." One college student, however, used somewhat different adjectives to picture these "favored and spoiled children": bored, vacuous, averse to learning, pessimistic, and vulgar. This might be an exaggeration concerning the majority, but it definitely fits some.

Whether it is in front of the dormitory in early morning, at the lunch table or late at night in the bushes, couples express their amorous feelings in their own way. As reflected by the chief of a campus substation: "We received a phone call from a professor and dashed over to the grassy yard in front of the main building. What we saw was mind-boggling..." He said, "During the vacation period, we checked the dormitories only when we had to, because there were too many cases of males and females living together. Some involved one of each, others were two or three couples. In regular times, when seven or

eight people lived in the same room, some dared to bring their girlfriends to sleep over." At this point, his expression became varied.

It is very hard to guess at the number of those who "offer their bodies on the couch" at any college. One police chief asked a student how many in his class gambled. He said that he couldn't remember, but no more than five or six had not. Based on this, there must be more than 80 percent of the student body that did.

Within the schools, some watched immorality start. Others brought it in. There was one student who located a prostitute and was arrested after having paid. He fumed about having paid and then being fined without having had a chance to enjoy her favors: "Why fine me? That's what she's for!"

The relations between female students and foreign students or foreign businessmen are even more astounding. Some use it to get out of the country, others euphemistically refer to it as "creating foreign currency for our country!"

In recent years, some "beggar gangs" using the cover of provincial associations have appeared on campus. When students get into an argument or fight, they negotiate or arbitrate, finally taking cash to help settle.

A number of students used drugs in a southern school.

...

A college head stated flatly that these problems of academic conduct and scholastic comport have a close connection. Certain faculty members, to make money, have taken on excessive moonlighting jobs affecting their instruction. And this further loosens the student ideas of proper conduct. They say, "Even as students are in class, a car is waiting outside to take the professor to go help in a lawsuit. How can he teach well? What kind of impression is he making on the students?"

For the most part, facts seem to show that campuses have become "special law enforcement districts." These offenses within college walls might not lead to much trouble, but while it is a student who is victimized, the incident could start waves of turmoil throughout a campus or even beyond. A theft of a few renminbi outside of college is not much to fuss over, but is serious inside and must be earnestly solved. Otherwise, it would be difficult to guess the consequences.

Small matters of security affect big ones. Thus is our college campus of today.



**Auditors Expose Violations of Financial Regulations**

OW2102151790 Beijing XINHUA in English  
0843 GMT 21 Feb 90

[Text] Beijing, February 21 (XINHUA)—Auditorial institutes in China last year exposed violations of financial regulations involving nearly 24 billion yuan (5.1 billion U.S. dollars), 57 percent more than in the previous year.

They examined 243,000 units, 26 percent more than in 1988.

Of the 24 billion yuan, 5.17 billion should have been turned over to the state. So far, 3.71 billion yuan has been recovered and turned over to the state.

The institutes audited 6,800 projects that had been ordered to stop or delay the construction of fixed assets and found that 468 of them had ignored the order. They eventually compelled the projects to cease construction, thereby playing an important role in helping the state to reduce investment in fixed assets.

The institutes also audited 5,032 distribution companies, uncovering breaches of financial regulations involving a total of 1.53 billion yuan.

The institutes exposed 367 major cases of corruption last year, each of which involved more than 10,000 yuan. More than 2,200 offenders were sent to supervisory or judicial organs for punishment.

**Major Embezzlement, Bribery Cases Under Investigation**

OW2802122590 Beijing Domestic Service in Mandarin  
2230 GMT 27 Feb 90

[From the "News and Press Review" program]

[Text] The Supreme People's Procuratorate gave a press briefing on the morning of 27 February on three major cases of embezzlement and bribery, which are being investigated by procuratorial organs.

(Zhu Bin), resident special representative with the rank of bureau director in Guangzhou from the Ministry of Foreign Economic Relations and Trade, was bribed more than 10,000 yuan after granting the (Zhaoqing) Company of the Guangdong Provincial Economic Development Corporation licenses for the export of 50 metric tons of silicon sand and two metric tons of rare earth in August and November 1988 alone.

Tang Ren, vice mayor of Jiangsu Province's Suzhou City, accepted a bribe of cash and materials worth more than 10,000 yuan from a factory after solving some funding and equipment problems for the factory. Tang Ren has already been dismissed from his position as vice mayor by the Standing Committee of the Suzhou City People's Congress.

(Zhang Yuewei), a salesman in Macao for the (Nanyue) Hardware and Mining Machinery Company in Guangdong Province, took advantage of his work to embezzle more than HK\$1 million (Hong Kong dollars) from company funds and lost all this money in a few days of gambling.

Those three men have been arrested according to law and are being further investigated.

**Escort Ships Remain Key Element of Navy Fleet**

90ON0231A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese  
No 206, 16 Nov 89 pp 70-83

[Article by Ling Yu (0407 1342): "An Overall Review of the Chinese Naval Escort Fleet"]

**[Text] Chinese Communist Naval Escort Fleet Reenters the Spratlys**

After the 4 June incident, Vietnamese authorities took advantage of unstable conditions in China to recapture a few of China's islands and reefs in the Spratly Islands, and they announced their intention to build an observer station there. In early October 1989, Hanoi protested China's dispatch of additional ships to the Spratlys.

As tension surfaces again in the Spratlys, the role of the Navy becomes key to the question of whether China can recover its national territory.

There have not yet been any reports that China has sent submarines to the Spratlys. At present, it is the Chinese Communist Navy's surface fleet that is patrolling the area and defending the islands and reefs occupied by the Chinese Communists.

**Escort Ships Are the Key Element in the Chinese Communist Fleet Patrolling in the South**

Escort ships constitute the key force in this southern patrol fleet. On 14 March 1988, the Chinese Communist Navy fought a mini-battle at sea with the Vietnamese Navy near Chiguajiao. All of the Chinese Communist ships that participated in the battle were escorts.

In fact, escorts constitute the largest percentage of ships in the Chinese Communist Navy's surface fleet. This article intends to explore briefly the state of development of the Chinese Communist Navy's escort ships.

**From Taking Hand-Me-Downs To Making Copies and Designing**

On 23 April 1949, the Chinese Communists established the East China Military Region Navy in Baimamiao Village, Taizhou City, Jiangsu Province. The 1st Dadui was renamed the 6th Fleet in April 1950, and then renamed the 6th Escort Detachment in August 1955. This force was the first regular escort fleet in the Chinese Communist Navy. The fleet, as equipped in the early days, consisted of captured ships, Kuomintang naval ships that came into Chinese Communist hands through defection, and even refitted commercial ships. Everything was very old. Later, they were refitted with Soviet-made rockets and made into old-style escort ships. This fleet engaged in five battles in the three years from 1953 to 1955. It sent four convoy (escort) ships and two gunboats to provide fire support for the Army's attack on Yijiangshan Island, which was held by the Kuomintang. The current deputy commander of the Chinese Communist Navy, Vice Admiral Chen Mingshan [7115 2494

1472], and the commander of the East China Sea Fleet, Nie Kuiju [5119 1145 5112], both came from this force.

The Chinese Communists began to buy complete sets of blueprints, as well as equipment and materials for naval ships from the Soviet Union, including mid-sized W-class diesel-powered submarines, T-43-class ocean mine-sweepers, large Kronstadt-class submarine chasers, P-6-class torpedo ships, and Riga-class escort ships. These five classes of naval ships were relatively advanced at that time. The early frontline ships of the Chinese Communist Navy consisted mainly of ships like these, whose construction depended on Soviet equipment and materials.

In 1955, the Soviet Union delivered a shipment of Riga-class escort ship components to the Chinese Communists. Hudong Shipyards of Shanghai then used these components to assemble ships under the direction of Soviet experts.

The first Riga-class escort ship built by the Chinese Communists was launched on 28 April 1956 and named the Chengdu. In January 1957 the Chengdu test-fired its guns and tested its torpedo-launching capabilities in the Zhoushan Maritime District. It sailed 22 times before being commissioned in 1958.

The second ship (the Guiyang) was launched on 26 September 1956. After several test sails, it was commissioned in 1958.

Another two Riga-class escort ships were built by the shipyards in Guangzhou and were named the Kunming and the Guilin. Both were launched in 1957, tested, and commissioned in 1959. The Chinese Communists named this class of escort ships Model 01, of which a total of four were built.

In the early 1960's, the Chinese Communist Navy needed more medium-size naval ships to fill the demand created by increasingly frequent naval patrol duties. However, on 16 July 1960, the Soviet Government unilaterally repudiated cooperation agreements and recalled all of their military experts in China. This caused great difficulties for the construction of the Chinese Communist Navy's ships. The possibility of building additional Model 01 escort ships was lowered (the main difficulty at the time involved the use of gear-manufacturing technology). For this reason, the Chinese Communist Navy entered upon a process of copying, improving, and independently designing and building naval ships. Operating under these restrictions, Shanghai's Jiangnan Shipyards consulted the blueprints for the Model 01 escort ships and replaced the Model 01 gears with those used in the diesel power plants of commercial ships, thereby developing the Chinese Communists' first escort ship armed with cannon. It was named the Model 65; Western nations called this ship the Jiangnan class. The displacement of this ship class at 1,249 tons was smaller than that of the Model 01, and its speed was slower, but it could sustain itself for 10 days and nights, which was better than the Model 01.

The design of the Model 65 escort ship included a long forecastle. For the first Model 65, the keel was laid down at the Jiangnan Shipyards in 1965. It was launched in January 1967, and the ship was commissioned in 1967. Afterward, Jiangnan Shipyards and Guangzhou's Huangpu Shipyards each manufactured two more Model 65's, for a total of five. The last one was commissioned in 1969. It has been reported that, among these five Model 65's, one took part in the naval battle that was fought in the late 1960's in the Taiwan Strait between the KMT and the Chinese Communists, and No. 502 took part in the naval battle with Vietnam near Chiguajiao (in the Spratly Islands) on 14 March 1988, receiving an award.

### Shifting to Missiles

On 15 October 1957, the Chinese Communist vice premier, Marshal Nie Rongzhen, personally visited Moscow, where he and the Soviet Union's [first] vice minister of national defense, Marshal Konev, signed an agreement on behalf of their respective countries regarding China's import from the Soviet Union of four missile systems, as well as information concerning their design, manufacture, and deployment. On 24 December 1958, the first shipment of Soviet-built equipment for SS-N-2 Styx antiship missiles reached Manzhouli in northeastern China. Chinese Communist naval personnel, under the guidance of Soviet experts, learned how to use and manufacture the Styx missiles. However, when the Soviets recalled their experts in 1960, the process by which the Chinese Communist Navy was learning to manufacture and use the missiles was slowed down.

### Successful Launch of the SY-1

After many difficulties, the first Styx missile manufactured by the Chinese Communists was finally completed in December 1964 by the Hongdu Machinery Factory in Nanchang. After testing at an on-land firing range, the

missile was successfully tested in an on-ship launching in a ship-to-ship exercise on 15 October 1965. In November 1965 it was named the "Shangyou-1" (SY-1).

The successful development of the SY-1 enabled the Chinese Communist Navy to shift its armament from guns to missiles.

In 1971, four Model 01's entered drydock for refitting. The three-tubed 533-mm torpedo launcher originally installed midship was replaced with one rotating SY-1 ship-to-ship twin missile launcher. The port and starboard decks of the Model 01, immediately below the bridge, were each refitted with a 14.5-mm antiaircraft heavy machine gun. The ships were also refitted with radar and electronic instruments to control the SY-1 missiles. The refitted Model 01 escort ships were classified by Western experts as the Chengdu class.

On 19 January 1974, a naval battle between the Chinese Communists and South Vietnam occurred in the Paracel Islands. The Chinese Communist naval vessels surprisingly had to "engage in a battle of bayonets." In the fight against a few old ships from South Vietnam's Navy, the Chinese Communist sailors even used hand grenades and assault rifles. Even though they won, this battle reflected just how badly the Cultural Revolution had weakened the fighting strength of the Chinese Communist Navy. Only after the naval battle in the Paracels did the Chinese Communists rush to make up for lost time. They belatedly transferred the four Model 01's in the East China Sea Fleet that were equipped with missiles to the South China Sea Fleet to bolster military strength in that maritime region. These four Chengdu-class escort ships remain in the South China Sea Fleet today.

Refitting old escort ships with modern weapons is only an expedient measure taken in a time of transition. In order to replace the Navy's equipment, the Chinese Communists have begun to develop new missile-equipped escort ships.

Chinese Communist Naval Escort Ships, Table 1

Model	Class	Displacement (tons)	Main Machinery	Top Speed	Principal Armament	Hull Number	Fleet Assignment	External Characteristics	Launch Date of First Ship Produced
01	Chengdu	1,389	Geared engines	28 knots	One twin SY-1 ship-to-ship missile launcher; three single-tube 1947 model 100-mm gun turrets	505	South China Sea Fleet	Flush decks; two main gun turrets mounted in bow, one in stern; Rotating missile launcher mounted in midship	26 Sep 56
						506	Same as above		
						507	Same as above		
						508	Same as above		



Chinese Communist Naval Escort Ships, Table 1 (Continued)

Model	Class	Displacement (tons)	Main Machinery	Top Speed	Principal Armament	Hull Number	Fleet Assignment	External Characteristics	Launch Date of First Ship Produced
65	Jiangnan	1,249	Diesel engine	21 knots	Three single-tube 1947 model 100-mm gun turrets	209	East China Sea Fleet	Long forecastle. One main gun turret in bow, two in stern	Jan '66
						501	South China Sea Fleet		
						502	Same as above		
						503	Same as above		
						504	Same as above		

#### The Jianghu Class, Ships Produced in Large Numbers

Between late 1968 and early 1969, the Chinese Communist Navy began developing a new missile-equipped escort ship, but the work was continually postponed due to the Cultural Revolution and the "9-13" Lin Biao incident in 1971. The "Battle for the Paracels" was like a warning bell. The construction of the first missile-equipped escort ship completely designed by the Chinese Communists was not finished by the Hudong Shipyards in Shanghai until 1974. It was commissioned on 28 December 1975.

This new guided missile escort ship was named the 053H, and is called the Jianghu class by Western experts. The ship's design includes a high freeboard flush deck, and has a relatively high bow sheer. The upper deck and main deck both run from bow to stern in accordance with overall arrangement and for the sake of overall strength. The design concept of the 053H escort ship was still based mainly on the assumption of surface combat operations at sea. This is radically different from the navies of Western nations and the Soviet Union, which lay great stress on antiaircraft defenses and antisubmarine warfare. To a certain extent, this is a reflection of the fact that, when these ships were being designed, the Chinese Communist Navy's leadership was still oriented toward coastal defense, and they lacked the vision to conceive of moving into the deep sea and establishing a "defense in depth." It is also a reflection of the fact that the Chinese Communists' main hypothetical enemy at that time was Taiwan.

The main armament of the 053H is its ship-to-ship missiles. Secondary systems include medium- and small-bore cannon and short-range antisubmarine weapons. The stern also has minelaying tracks for laying mines.

The two rotating SY-1 missile launchers, installed at the center line of the upper deck in front of and behind the

smokestack are the principal weapons of the 053H. There is a 100-mm main gun turret in the bow and stern. One does not know whether to laugh or cry about the fact that the main guns of "new" guided missile escort ships of this class, which went into service in the mid-1970's, are an antique (manually loaded and operated), designed by the Soviet Union in 1947. And this is at a time when other navies around the world had all turned to automated guns, which were easily available. This is an indication of the destructive impact on national defense construction of continual political struggles. It was not until the late 1970's or early 1980's that new 053H escort ships began to be equipped with 100-mm automatic twin gun turrets.

The antiaircraft and antisubmarine armament on these ships is relatively weak. The six manually operated twin 37-mm machine guns, in comparison with antiaircraft missiles and automatic machine guns, are less accurate, react to a target more slowly, and the operator is easily injured. Antisubmarine weapons installed in the bow include two to four Model 62 five-tubed antisubmarine rocket launchers whose design is based on the Soviet RBU-1200. Installed in the stern are four Soviet-style BMB-2 depth-charge launchers and two large depth-charge racks. There is also one medium-frequency hull-mounted sonar. These weapons can be used only in close-range defensive antisubmarine operations, and they are all old-fashioned antisubmarine weapons.

The main machinery of the 053H consists of two V12 diesels with a total of 16,000 hp. The ship has a top speed of 26.5 knots, which is relatively slow for a modern warship. Its endurance capability is 15 days and nights, and the ship is equipped with POL [petroleum, oil, and lubricants], water, and dry goods resupply facilities.

To date, 25 053H escort ships of five types have been identified (not including three Jianghu III's sold to the

Egyptian Navy. From their external characteristics, the following types can be identified:

1. Jianghu IA—earliest model built; relatively small bridge; elliptical encased smokestack; four antisubmarine rocket launchers mounted in the bow; installed with old-fashioned 1947 gun turret.

2. Jianghu IB—relatively large bridge; switched to large encased smokestack; antisubmarine rocket launchers reduced to two.

3. Jianghu IC—switched to octagonal encased smokestack.

4. Jianghu II—main gun turret changed to twin automatic gun turret; switched to slanted, elliptical smokestack.

5. Jianghu IV—Stern fitted with helicopter landing pad and hangar, replacing the original SY-1 missile launcher and the stern gun turret; elevated octagonal encased smokestack; main gun turret replaced with 100-mm rapid fire Creusot Loire automatic gun turret from France. This is the first principal surface warship in the Chinese Communist Navy that can carry a helicopter. The helicopter that it carries is the Dauphin II, manufactured under license from France and termed the Z-9 by the Chinese Communists.

The 053H is a low-cost escort ship with relative strong surface warfare capabilities. It is the single principal surface warship that the Chinese Communists are building in the greatest numbers. It has twice provided security in test underwater missile launchings by Chinese Communist submarines, and it has opened up an export market.

Chinese Communist Naval Escort Ships, Table 2

Model	Class	Displacement (tons)	Main Machinery	Top Speed	Principal Armament	Hull Number	Fleet Assignment	External Characteristics	Launch Date of First Ship Produced
053H	Jianghu	1,661.5	Diesel engine	26.5 knots	Two SY-1 ship-to-ship twin missile launchers; two single-tube 1947 model 100-mm gun turrets	519	North Sea Fleet	High freeboard flush deck; one rotating missile launcher mounted in front and in back of the mid-ship smokestack; one main gun turret in bow and stern	1975
						522			
						525			
						527			
						538			
	Jianghu IA	Same as above	Same as above	Same as above	Same as above	515		Principal characteristics include all of those listed for the Jianghu, plus the following: Elliptical encased smokestack; relatively small bridge; four five-tube Model 62 antisubmarine rocket launchers mounted in bow (other models have only two)	
						516			
						517			
	Jianghu IB	Same as above	Same as above	Same as above	Same as above	511	East China Sea Fleet	Principal characteristics include all of those listed above, plus a rectangular encased smokestack	
						512	Same as above		
						513	Same as above		
						514	Same as above		

Chinese Communist Naval Escort Ships, Table 2 (Continued)

Model	Class	Displacement (tons)	Main Machinery	Top Speed	Principal Armament	Hull Number	Fleet Assignment	External Characteristics	Launch Date of First Ship Produced
						518			
	Jianghu IC	Same as above	Same as above	Same as above	Same as above	509	South China Sea Fleet	Principal characteristics include all of those listed above, plus an octagonal encased smokestack	
						510	East China Sea Fleet		
						520	North China Sea Fleet		
						551	South China Sea Fleet		
						552	Same as above		
	Jianghu II	Same as above	Same as above	Same as above	Missiles same as above; Two closed 100-mm automatic twin gun turrets	533		Principal characteristics include all of the above, plus an elliptical slanted smokestack and a new main gun turret.	
						534	East China Sea Fleet		
						543	Same as above		
						545	Same as above		
						553	South China Sea Fleet		
						555			
	Jianghu IV	Same as above	Same as above	Same as above	One SY-1 ship-to-ship twin missile launcher; one single-barrel Creusot Loire 100-mm rapid fire automatic gun turret	544	East China Sea Fleet	Helicopter pad and hangar installed in stern; carries one Z-9 helicopter; main gun turret mounted in bow; encased octagonal smokestack made higher	1985

- Notes:
1. No modified versions of the Jianghu class ships listed as belonging to a particular fleet have been identified.
  2. The ships listed in this table are only the 053H-class ships that have been identified to date. The actual number of ships in this class may be greater than the number listed here.

### The First Antiaircraft Escort Ship

In the early 1970's, perhaps because of the desire to provide the 051 (Luda-class) guided missile destroyer with antiaircraft defensive firepower, the Chinese Communists began constructing their first warship equipped

with ship-to-air missiles. However, because the Chinese Communists lacked experience in developing and manufacturing shipborne antiaircraft missile systems, this type of escort ship was not completed and entered into service until 1977.



The new anti-aircraft ship was built by Shanghai's Hudong Shipyards and named the 053J. Western experts call it the Jiangdong class.

In order to reduce production costs, the structure of the 053J escort ship was made similar to that of the 053H. Only the superstructure differed.

The main armament of the 053J escort ship consists of two twin Hongqi-61 (HQ-61) missile launchers. This missile is the first shipborne anti-aircraft missile system developed and manufactured by the Chinese Communists and is used mainly against low- to medium-altitude targets. There is still little information on the HQ-61 available outside China. To help operate this guided missile system, there are also a target display radar and a tracking/illumination radar on the ship. Ship No. 531 from this class is also equipped with three new Haiying

three-dimensional radars, which were developed and manufactured by the Chinese Communists.

The 053J is equipped in the bow and stern with one twin 100-mm automatic gun turret, and the anti-aircraft guns and antisubmarine armament of ships in this class are similar to those of the 053H Jianghu 1B.

Because the overall design of the 053J is old-fashioned, and because this class of ship may also be used by the Chinese Communist Navy as a platform for experimenting with ship-to-air missile systems, a large number has not been manufactured. To date, there are only two 053J escort ships in service. Among them, No. 531 was once dispatched to the Spratly Islands, where it provided anti-aircraft firepower and security to the Chinese Communist military forces garrisoned in the Spratlys. It also took part in the 3-14 naval battle of 1988.

Chinese Communist Naval Escort Ships, Table 3

Model	Class	Displacement (tons)	Main Machinery	Top Speed	Principal Armament	Hull Number	Fleet Assignment	External Characteristics	Launch Date of First Ship Produced
053J	Jiangdong	1,700	Diesel engine	26.5 knots	Two HQ-61 ship-to-air missile launchers; two closed 100-mm twin automatic gun turrets	531	South China Sea Fleet	One missile launcher and main gun turret in bow and stern; one new model of Haiying-type three-dimensional radar at top of main mast	1973 (?)
						532	East China Sea Fleet	Main gun turrets mounted in bow and stern; no missile launchers or accompanying electronic equipment seen in most recent photographs	

Chinese Communist Naval Escort Ships, Table 3 (Continued)

Model	Class	Displacement (tons)	Main Machinery	Top Speed	Principal Armament	Hull Number	Fleet Assignment	External Characteristics	Launch Date of First Ship Produced
	Kaifeng	1,750	CODPOG (?)	28-30 knots	Eight Yingji 8 ship-to-ship missile launchers, two closed automatic 100-mm twin gun turrets	535	East China Sea Fleet	Centralized structure, one unit containing two single-barrel missile launchers, mounted on the upper deck in front of and behind the smoke stack (one port, one starboard), slightly angled outward, one main gun turret mounted in bow and stern, completely enclosed ship body capable of nuclear, biological, and chemical defense	28 December 1985
						536	Same as above		
						537	Same as above		

**All-New "Enclosed" Escort Ships**

In order to deal with environments that may arise in the future as a result of nuclear, biological, and chemical warfare, the Chinese Communist Navy proposed in the early 1980's a program for the construction of "totally enclosed" guided missile escort ships. The term "totally enclosed" refers to a hull with no portholes. Once the doors are closed, the interior of the ship is completely isolated from the outside. This would enable it to operate in adverse nuclear, biological, and chemical environments without fear of its officers and men being contaminated. This requires that the ship be sufficiently automated. The entire ship needs to be air-conditioned, and the interior of the ship must be lit at all hours of the day and night. The electricity demand would thus be higher. Almost all of the navies of the world's advanced nations now design completely enclosed ships.

Construction began on the first new completely enclosed escort ship in April 1984 at Shanghai's Hudong Shipyards, and it was launched in December 1985. The first one built was called the Kaifeng and numbered 535. In accordance with precedent, this class of ship was named the Kaifeng class.

The design of the body of the Kaifeng-class ships utilizes a centralized structure, so there is more space inside the

ship. The Chinese Communists' military propaganda media claim that "the missiles, cannon, radar, and engine power of Kaifeng-class ships take advantage of advanced technology and modern scientific research, and the overall operational strength of the entire ship has been improved to a relatively large degree. In addition, the living conditions of the officers and men have been improved considerably in comparison with those on earlier Chinese Communist naval ships. Modern naval ship design pays special attention to the crew's living conditions.

The thing that leaves people scratching their heads is the fact that the Kaifeng class is still primarily oriented toward surface warfare. Its anti-aircraft and antisubmarine armament is not very different from that of the Jianghu IB, so the concept of a "deep-sea navy" has not yet appeared!

The ship's main armament consists of eight C-801 Yingji 8 ship-to-ship missile launchers/containers. The Yingji 8 is the second generation of surface skimming antiship missiles recently developed and manufactured successfully by the Chinese Communists, and is known as the "Chinese Communist Flying Fish." The Kaifeng-class naval ships are the first to be equipped with Yingji missiles.

Secondary armament includes two twin 100-mm automatic gun turrets in the bow and stern, four twin 37-mm antiaircraft machine guns, and two five-tubed antisubmarine rocket launchers.

The Kaifeng class may use combined diesel or gas (CODAG) engines, and its highest speed may reach 29 to 30 knots.

Three Kaifeng-class escort ships have been commissioned so far: the Kaifeng, the Xianglan, and the Wuhu. Younger sister ships are now being built. The Chinese Communists will use the Kaifeng class to replace the Jianghu II class.

#### **The Direction of the Chinese Communist Navy's Development and Production in the 1990's**

The Chinese Communists have already begun to develop and produce escort ships for the 1990's, and they have implemented a contract system. This is a signal that departments within the Chinese Communist military that use these ships have begun to employ economic and legal methods in their management of the development and production of weapons and equipment. Beijing officially sent out bid requests in March 1986. Those submitting bids included Chongqing Shipyards, Shanghai's Qiuxin Shipyards, Shandong's Qingdao Shipyards, and Guangzhou's Huangpu Shipyards. It is estimated that the displacement of the new class of escort ships will be between 2,000 and 2,200 tons, that they will be equipped with C-801 or the newer C-802 ship-to-ship missiles, and that they may be equipped with one Z-9 helicopter.

Among the primary surface warships in the Chinese Communist Navy, the escort ships are the main force, and the most numerous. However, the concept of the Chinese Communist Navy has not escaped the fetters of "coastal defense." For this reason, the great majority of the escort ships now in service have been designed for use in coastal operations. The Jianghu IV and the Kaifeng classes have been upgraded into multipurpose escort ships with potential for deep-sea operations, but it remains to be seen whether the Chinese Communists' future strategy for naval development will turn toward the deep sea.

#### **Editorial on Guangdong Conscription Regulations. Work**

90CN0305A Guangzhou NANFANG RIBAO in Chinese [5 Jan 90, p. 1]

[Article by editorial writer: "Important Measures To Strengthen Conscription Work in Guangdong Province"]

[Text] The "Regulations for Conscription Work in Guangdong Province" (hereafter called "Regulations," the full text of which is published today in this newspaper on page 2), which were passed during the 11th

Session of the Standing Committee of the 7th Guangdong Provincial People's Congress, will take effect this year beginning on 1 February. This is an important law intended to strengthen military conscription work in Guangdong. It is an extremely significant part of efforts to strengthen the people's understanding of national defense and the legal system, to further perfect local military service regulations, to strengthen military service, and to make military service work in Guangdong gradually become part of the legal system; it must become more systemized and regularized.

Several decades of experience with China's revolution and construction show that without an army of the people, there is nothing that is of the people. The People's Liberation Army (PLA) is a sturdy pillar of the democratic dictatorship of the people, and is socialism's Great Wall of steel. The fundamental task of the Chinese people at this time and in the future is to concentrate their forces on socialist modernization and construction in order to build China into a highly civilized, highly democratic socialist nation. However, our construction is taking place within the context of very unstable international conditions. Currently, the international situation is rather complex. Under these circumstances, if we are to consolidate our socialist system, guarantee long-term peace and stability in China, and provide a stable and peaceful environment for economic construction, we must have a large and powerful army and a solid national defense. Guangdong's issuance of conscription work regulations is concrete action that has been taken to support construction of military troops and strengthen national defense construction.

The "Regulations" have been formulated in order to strengthen conscription work, and are a response to new conditions and new problems that have arisen in connection with conscription work in Guangdong. It affects the vital interests of every industry and trade, and every individual and family in the province. Therefore, thorough implementation of the "Regulations" is not only the business of government and conscription organs at every level, it is the affair of all people of the province. Leaders, departments, and work units at every level must employ various methods and channels to launch a far-reaching propaganda and education movement, in order to make the basic spirit as well as the actual items of the "Regulations" familiar to every household and individual. We must make every youth of eligible age feel that responding to calls for conscription and entering the military service are a duty that brings great honor. Parents should jump at the chance to have their sons and daughters serve in the military, and should encourage them to go happily into military service. Soldiers currently in the service must cultivate a sense of the honor that comes from doing one's duty for the people. They must conscientiously contribute to the defense of the fatherland. Citizens eligible for military service must take the initiative to register themselves. We must establish a healthy social atmosphere throughout the province, one in which the people feel enthusiasm, affection,



and respect for the PLA. We must establish a new social atmosphere, one in which "a single person in the military brings honor to the whole family," and in which "serving in the military brings honor, while avoiding military service brings disgrace." All departments and work units must actively support military service organs in their effort to do a thorough job of implementing the "Regulations." They must handle affairs in accordance with the law, and achieve the principle that "where laws and regulations exist, they shall be obeyed." At the same time, they must uphold the principle of relying primarily on education and secondarily on punishment as they

carry out the "Regulations." In order to preserve the dignity of the law, they should dispense necessary punishment to certain individuals who violate the "Regulations," avoid military service, and do not reform after repeated attempts at education.

We believe that as long as the party committee and the government at every level attach importance to this issue and all relevant departments lend active assistance and earnestly implement and enforce the "Regulations," a new situation regarding military service work in Guangdong will emerge.

## EAST REGION

### Jiangsu CYL Studies CPC Leadership Circular

OW0203225890 Nanjing XINHUA RIBAO in Chinese  
7 Feb 90 p 1

[Text] Wang Zhancheng, secretary of the Jiangsu Provincial Communist Youth League [CYL] Committee, presided over the enlarged Standing Committee meeting of the provincial CYL Committee yesterday to earnestly study the "Circular of the CPC Central Committee on Strengthening and Improving Party Leadership Over Trade Unions, Communist Youth League, and the Women's Federation" and discussed various issues in connection with the actual situation. Those attending the meeting said, "Like a spring breeze, the 'circular' has warmed our feelings. We must rejuvenate our spirit, brave the wind and the waves, and turn the Communist Youth League into a large communist school."

By studying the "circular" and conducting discussions, those attending the meeting deepened their understanding of the great immediate importance and far-reaching historic significance of the "circular." They realize that the "circular" reflects the party's warm solicitude over the work regarding young people, points out the correct direction, and clearly defines the tasks in doing work with regard to the CYL. It also reflects the party's fine tradition of wholeheartedly relying on the masses. At present, stability should be given top priority. In maintaining stability, we must have strength. Strength lies in the masses, while the masses depend on the organization. So long as the CYL organizations at all levels firmly implement the guidelines in the "circular" and organize tens of millions of CYL members to closely rally around the party, they will definitely be able to make contributions to maintaining stability. By earnestly studying the "circular" many comrades further increased their sense of responsibility in carrying out their historical mission.

On the issue of how to implement the guidelines of the "circular," those attending the meeting believe that the most important thing is that the CYL organizations take the initiative to consciously accept and energetically safeguard the party's leadership. They agree that the history of the CYL and the provincial CYL organizations proves that the cause of the youth league flourishes and vigorously develops when the party's leadership is followed, otherwise the youth league suffers. To follow the party's leadership, we must pay attention to the following three tasks:

1. All CYL organizations must identify themselves with the party Central Committee politically and ideologically and in action.

2. By bringing into full play the role of the party organizations and party members in CYL organizations, efforts should be made to turn the party's guidelines into conscious actions of young people who will work hard to implement the guidelines.

3. It is necessary to heighten our vigilance and guard against any tendency to do away with or weaken the party's leadership, resolutely wage struggles against any political stand that opposes the four cardinal principles, and safeguard the party's leadership in the same way as we protect our own eyes.

In the course of studying the "circular" and carrying out discussions, those attending the meeting also offered many constructive suggestions on how to turn the CYL into a large communist school, how to concentrate our efforts on strengthening CYL organizations, how to take the initiative to develop the youth league activities with the party's central task as the core, and how to pay attention to building basic CYL organizations.

### Jiangxi Vice Governor Upholds Socialist Education

OW0203064190 Nanchang Jiangxi Provincial Service  
in Mandarin 1100 GMT 26 Feb 90

[From the "Provincial Hookup" program]

[Text] At a provincial meeting on moral education by secondary and primary schools, Jiang Zhuping, deputy secretary of the Jiangxi Provincial CPC Committee and vice governor of Jiangxi, said today, "To further improve Jiangxi's educational work and to enable it to develop in a sustained, steady, and coordinated way, we must always put adherence to the correct political course in the first place of educational work, we must work hard to build an effective contingent of educational workers, and we must strengthen the party's leadership over educational work."

Jiang Zhuping said that adhering to the socialist course of education; insisting on the party's leadership over educational work; insisting on educating students with Marxism, Leninism, and the Mao Zedong Thought, and insisting on regarding cultivating socialist constructors and successors to the socialist undertakings as a fundamental task of school work are the basic principles of socialist education, as well as the essential difference between socialist and capitalist education. To put adherence to the correct political course in the first place of educational work, and to always adhere to the socialist course of education, we should concentrate on doing a good job in the following three areas:

First, we should promote education in upholding the four cardinal principles in a penetrating way and oppose bourgeois liberalization in a clear-cut manner.

Second, we should improve and straighten out the ideological and political work system of school, and effectively improve ideological and political education at schools.

Third, We should abide by the principle of combining education with production and laboring work, and do more social practice work.

On building a contingent of educational workers, Jiang Zhuping emphatically pointed out that building an effective contingent of educational workers is an important step in realizing the fundamental goals of socialist education. The sacred duty of educational workers is to educate people by teaching them, disciplining them, and serving them. The vast numbers of educational workers should make constant efforts to provide qualified people to the society. We must rely totally on the vast numbers of educational workers in promoting socialist education.

The provincial meeting on moral education by secondary and primary schools opened in Nanchang on 25 February. The meeting commended advanced collectives and individuals, and attendants of the meeting exchanged experiences in promoting moral education. Vice Governor Chen Guizun also spoke at the meeting.

Thirty advanced collectives in promoting moral education at secondary and primary schools were commended by the Jiangxi provincial people's government. The Propaganda Department of the Jiangxi Provincial CPC Committee and the Jiangxi Provincial Education Commission also jointly commended 145 advanced individuals in promoting moral education at secondary and primary schools, and 30 advanced institutes of higher learning for promoting good campus style.

Provincial party and government leading comrades, including Jiang Zhuping, Zhao Zengyi, and Pei Dean, and veteran comrade (Lu Liang) presented certificates to commended collectives and individuals.

## CENTRAL-SOUTH REGION

### Agenda Set for Henan People's Congress Session

HK0902021690 Zhengzhou Henan Provincial Service  
in Mandarin 1030 GMT 8 Feb 90

[Text] A press spokesman for the provincial People's Congress yesterday announced that it has been decided that the 14th meeting of the seventh provincial People's Congress Standing Committee was to be held in Zhengzhou on 13 February.

(Zheng Yaotang) also said that the proposed items on the agenda of the meeting are:

1. To fix the date for the Third Session of the Seventh Henan Provincial People's Congress.
2. To examine and approve the draft regulations of Henan Province on protection of the aged.
3. To examine and approve rules for making Zhengzhou City green.
4. To listen to a report by the provincial people's government on the province's forestry production and a 10-year plan for afforestation of the province.
5. To listen to a report by the provincial people's government on administrative management of industry and commerce of our province.

6. To examine and approve a draft plan on major work that the provincial People's Congress Standing Committee will do in 1990.

7. To consider a draft work report that the provincial People's Congress Standing Committee is to submit to the third session of the seventh provincial People's Congress.

8. To examine and approve a report by the Standing Committee on the results of handling motions put forward by deputies to the Second Session of the Seventh Provincial People's Congress.

9. To examine and approve a report by Standing Committee General Office on the results of handling proposals, criticism, and opinions put forth by deputies to the Second Session of the Seventh Provincial People's Congress.

10. To handle appointments and removals.

### Henan Group Studies Multiparty Cooperation Document

HK1602075390 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 14 Feb 90

[Text] Yesterday morning, the Henan Provincial CPC Committee held a meeting attended by responsible persons of all the units directly under the Henan Provincial CPC Committee and the Henan Provincial People's Government and responsible persons of various Zhengzhou-based institutions of higher learning. The meeting was held to relay and implement the "Opinions of the CPC Central Committee on Persisting in and Improving the CPC-Led Multiparty Cooperation and Political Consultation System," the speech made by Comrade Jiang Zemin at the national conference of directors of united front work departments, and the speech made by Comrade Yang Xizong at the Henan provincial symposium attended by responsible persons of various democratic parties in Henan, the Henan Provincial Federation of Industry and Commerce, and public figures without party affiliation.

On behalf of the Henan Provincial CPC Committee, Hou Zhiying, member of the Standing Committee of the Henan Provincial CPC Committee and concurrently director of its Propaganda Department, delivered a speech.

In his speech, Comrade Hou Zhiying demanded that leading party and government cadres at all levels take the lead in studying and comprehending the spirit of the "Opinions," ideologically make preparations to implement to the letter the "Opinions," and carry out extensive education within and without the party on the CPC-led multiparty cooperation and political consultation system and on CPC principles and policies in connection with its united front work. The cadres were urged to take the implementation of the "Opinions" as an important political task, place this important political task at the top of their agenda, and correspondingly formulate measures aimed at establishing and perfecting various existing systems in light of the realities of various



units. The cadres were also urged to practically strengthen the political leadership of the CPC organizations at all levels over various democratic party organizations at the grassroots level, hold more forums to solicit the opinions of various democratic parties, give full scope to the role played by various democratic parties, and support various democratic parties in strengthening their ideological and organizational building.

### **Hubei Emphasizes Local Foreign Affairs Work**

HK0203132190 Wuhan Hubei Provincial Service  
in Mandarin 1000 GMT 28 Feb 90

[Text] Vice Governor Li Daqiang emphasized this morning that workers engaged in foreign affairs of the province should get a clear understanding of the present situation, give full play to the advantages of local foreign affairs work, take an active part in their work and make new contributions to reform and opening up of our province.

Speaking at a provincial meeting attended by heads of foreign affairs offices, the vice governor fully affirmed the achievements of our province in foreign affairs in 1989.

Speaking about what our province should do in foreign affairs in the days to come, he emphatically pointed out that governments at all levels should attach importance to foreign affairs. Officials engaged in foreign affairs should further seriously study and understand central foreign policy, get a clear understanding of the present international situation, achieve unity of thinking, act in unison, give full play to the advantages of local foreign affairs work, overcome difficulties to make as many friends as possible, and work harder for economic construction in our province. At the same time, discipline over foreign affairs should be strictly maintained, leadership over foreign affairs and management in line with relevant departments should be strengthened, and education should be given in the international situation and in policies relating to foreign affairs or foreign nationals among cadres and the masses.

### **Multiparty Cooperation Targeted in Hunan Meeting**

HK0103020890 Changsha Hunan Provincial Service  
in Mandarin 2300 GMT 27 Feb 90

[Excerpts] The provincial party committee held a work conference on 22 February on implementing the opinions of the CPC Central Committee on persisting in and perfecting the CPC-led multiparty cooperation and political consultation system.

On behalf of the provincial party committee, its Deputy Secretary Sun Wensheng delivered a speech at the meeting. He pointed out that the opinions of the party Central Committee are of immediate importance and far-reaching historical significance for developing socialist democracy, stabilizing the overall political situation, maintaining long-term political stability in our

country, and promoting the development of reform, opening up, and socialist modernization.

Comrade Sun Wensheng looked back the development of the history of the provincial party committee cooperating and working together with various democratic parties. He fully affirmed contributions made by democratic parties and nonparty personages in maintaining stability and unity in our province, and accelerating socialist modernization. He urged party committees at all levels to study and publicize the spirit of the opinions and adopt measures to implement the opinions in line with actual conditions in our province. Party committees and governments at various levels, he added, should help democratic parties and federation of industry and commerce overcome difficulties in offices, housing, vehicles and funds in accordance with the principle of treating equally without discrimination and giving appropriate preferential treatment [passage omitted]

In attendance, were responsible comrades of party committees of prefectures, autonomous prefectures and cities, heads of united front departments under them, and leaders of party committees of organs directly under the provincial authorities, universities and colleges, some large factories and mines, and scientific research offices.

## **NORTHWEST REGION**

### **Xinjiang Armed Police Meeting Stresses Stability**

HK1902145090 Urumqi Xinjiang Regional Service  
in Mandarin 1230 GMT 19 Feb 90

[Excerpt] A Xinjiang regional conference on public security and border defense, which lasted four days, closed today. Addressing the conference, Comrade Liang Guoying, [words indistinct], emphasized that the Armed Police Force border guard units must continue to uphold the principle of strict administration, further strengthen political work, do a better job in border defense and public security with the focus on the overriding task of maintaining stability, and thus make greater contributions to the invigoration of the economy of Xinjiang and the stability in the region.

Having spoken highly of the great contributions made by the Armed Police Force's Xinjiang border defense units to the defense of the northwest, Comrade Liang Guoying said that this year we must more deeply cherish, consolidate, and develop the hard-earned situation of stability and unity in the region. First, we must ensure social stability. Second, we must continue to steadfastly implement the principle of improving the economic environment, rectifying the economic order, and deepening the reform, so as to bring the economy onto the track of sustained, steady, and harmonious development. Third, maintaining stability is our overriding task, all trades and all circles must focus on this key link, and submit all work to this goal. [passage omitted]

**Xinjiang Issues Circular on Natural Disasters**

HK2002090890 Urumqi Xinjiang Regional Service  
in Mandarin 1230 GMT 17 Feb 90

[Excerpts] The regional people's government recently issued an emergency circular calling for combating natural disasters and protecting livestock in the spring.

The circular said there has been heavy snow in the pastoral areas of northern Xinjiang since January. As a result, the drought there has become somewhat less serious, but Hami Prefecture, Kizilsu Kirgiz Autonomous Prefecture, and eastern Changji Hui Autonomous Prefecture are still afflicted with a severe drought. Moreover, the thick and deep snow in Tacheng, Altay, Ili, and some areas along the Tian Shan in northern Xinjiang has posed a dire threat to the safety of domestic animals. [passage omitted]

Lately, bad weather has inflicted great losses on domestic animals in some major pastoral areas in northern Xinjiang, and the losses caused by the disaster are becoming more and more serious. Furthermore, limited forage reserves, [words indistinct], changeable weather, and parasitic diseases have brought about a very serious situation in the region's animal husbandry. [passage omitted]

The circular also urged all local authorities to make continued efforts to collect funds by any means to combat natural disasters while making proper use of available funds for fighting natural disasters. All professions and trades should vigorously support the endeavor to combat natural disasters and protect livestock and make serious efforts to strive for this year's harvests of animal husbandry as a matter of great importance for ensuring the region's stability and unity.

**Taiwan Professor Interviewed on Mainland Visit**

*OW1402232290 Beijing in Mandarin to Taiwan  
1500 GMT 5 Feb 90*

[Interview by unidentified station reporter with Professor Zhu Xining of Taiwan's Chengchi University on 5 February in Beijing]

[Text] An 11-member winter-vacation group of professors from Taiwan's Society for the Studies of Chinese Mainland Affairs arrived in Beijing on 31 January. While in Beijing, the group held extensive discussions with personages from the National Committee of the Chinese People's Political Consultative Conference [CPPCC], the State Commission for Restructuring Economy, the State Education Commission, Qinghua University, and Beijing University. At these discussions, the group acquired a detailed understanding of the political and economic reform as well as the political life of intellectuals on the mainland. The Taiwanese guests also took these opportunities for face-to-face exchanges to offer many suggestions. On 6 February, the group left for visits to Shanghai, Xiamen, and Guangzhou.

On the eve of the group's departure from Beijing, this station's reporter interviewed Mr (Zhu Xining), a professor at Taiwan's Chengchi University, on his impression of his current trip to Beijing and the plan for future people-to-people exchanges across the strait.

[Begin recording of an unidentified male] Delegation head (Zhu), as far as we know, this is the first visit to the mainland for most members of your group. During your stay in Beijing, you have gone to many places in Beijing and had extensive contacts with our political, economic, and academic figures. We believe you must have many feelings and impressions of the mainland. Could you talk about your impressions of your visit to the mainland, including the political, economic, and academic aspects? Please feel free to say whatever you want to say. [End recording of unidentified male]

[Begin (Zhu) recording] I would like to start with the overall principle. During this trip, we have had greater opportunities to exchange views with political, economic, and social figures at all levels as well as the leadership echelon on the mainland. These exchanges, contacts, and discussions are very important. In other words, they enable people like us, who study the problems of China, to have a more specific understanding of the true situation on the mainland so we can objectively

analyze views after returning to Taiwan. By way of comparison, we can arrive at a more definite and better conclusion. Therefore, I think it allows us to have a more practical understanding of the general and actual situation here. This is very important. This is the first point.

Second, from our initial contacts, we feel there are areas that should be affirmed as well as areas that require further questioning. In the areas that should be affirmed, we found that leaders and cadres here feel that reform should go on, they are aware of the importance of social stability, and they stress the concept of stability in China. I think this tendency is based on concern for China's development and Chinese compatriots and is basically correct.

On the other hand, we have heard academic and cultural figures here, including some members of leadership, voice their strong desire to strengthen people-to-people and mutually interactive relations across the strait at all levels and in all forms. This desire is also understandable. It is a natural tendency to conduct mutually interactive people-to-people exchanges in academic and cultural fields and in sports across the strait at all levels. On the whole, this tendency conforms to the interests of all compatriots across the strait and of China as a whole. [End (Zhu) recording]

After he finished talking about the significance and impression of his current visit to Beijing, delegation head (Zhu) also offered two proposals:

[Begin (Zhu) recording] Therefore, I basically believe that economic development on the mainland today may still have to be coordinated with political reform. To me, economic development not in keeping with political reform will have its limitations. It will definitely not achieve expected results. This is our basic idea on this matter.

I am deeply aware of the fact that some misunderstanding exists across the strait after a separation of 40 years. We need to develop a more common language and there are common areas with which to start. We should strive to locate these areas and develop this common language through the efforts of all quarters concerned. This is primarily for the good of the Chinese so they can develop in a more wholesome manner. This is beneficial to compatriots on both sides of the strait. It is based on a serious understanding of the present specific situation across the strait. This is all I have to say. [End (Zhu) recording]



### Joint Effort Needed To Improve Taiwan-Mainland Relations

90ON0324A Hong Kong TA KUNG PAO in Chinese  
1 Jan 90 p 6

[Article by Huang Fu Chi (4106 3940 0679): "A Look Back at 10 Years and Toward a New Century of Cooperation Between Taiwan and Mainland China"]

[Text] The new year has arrived at last. In the first year of the decade of the nineties, which will lead into the 21st century, will both sides of the Taiwan Strait be able to continue to improve relations in order to further the great undertaking of unification and to initiate a new phase in the harmonious facilitation of exchanges? This will depend on the joint efforts of the authorities of both Mainland China and Taiwan and on people from all walks of life.

A review of the past 10 years in Taiwan shows that the political scene on the island has evolved into a fairly ominous situation, although in the end, with all things considered, the period has passed peacefully. One could say that this is due to the fact that the Kuomintang (KMT) government presently in power has been very reluctant to take new steps toward political reform, but it would be better to say that people on the island from all walks of life, after paying the cost of putting in hard work in terms of economic construction, urgently demand new and positive results in terms of democratic reforms. One point that must be asserted is that the present KMT government, in confronting developments in the current situation on the island, has had to go along with the demands of the times and take a new step in terms of political reform. Although this step has been comparatively successful, it has also been a painful one. If it were not for this, the many confused situations that emerged in the latter half of the eighties would have tended toward further evolution to an even more acutely chaotic situation, even going so far as to possibly spell an end to the continuous economic successes we have enjoyed.

Chiang Ching-kuo, a second-generation member of the Chiang family, who was able to keep a clear head in his last years, saw the trends in the objective situation both inside and outside the country, and in the end put forward a view that saw changing times, historical trends, and social consciousness, and led him to desire the pursuit of a new program of political reform within the KMT. He finally and unequivocally reiterated the need for the Chinese nation to come to grips with its history. This was the single biggest courageous act of his final years.

In the later half of the eighties, Chiang Ching-kuo, his physical health deteriorating daily, arranged to have Taiwan native Li Teng-hui [2621 4098 6540] become his primary successor, a man highly regarded as a party stalwart and capable and vigorous in handling concrete work, and [Chiang] stated that power would not be turned over again to members of the Chiang family. In July 1987, he rescinded the martial law order announced

40 years earlier by Chiang Kai-shek, and immediately thereafter announced a partial opening to allow people to travel to the mainland to visit relatives, opening the door on exchanges that had been closed by artificial barriers for 40 years. This was a crucial step in turning over a new leaf and clearing the minds of the Taiwanese. While he was living, he repeatedly stated adherence to the idea of a single China, opposition to an independent Taiwan, and a belief that China must ultimately be unified, and obtained the respect of the Chinese people from the mainland, Taiwan, and overseas communities.

Recently, during a retrospective on the political situation of the last 10 years, public opinion on Taiwan held that Chiang Ching-kuo, in the latter part of the eighties, had altered the form of the political structure he inherited in the seventies from his father Chiang Kai-shek, a structure in which political power was monopolized. (In the eighties, Chiang Ching-kuo clearly understood one fact, that even though the desire for totalitarian domination within his heart of hearts did not change, it was necessary to don the garb of a moderate, because the practice of reform in the next several years would have a crucial influence on how history would judge him in terms of his merits and demerits in the role of pushing forward the political modernization of Taiwan.) (It was not until after his death that the people of Taiwan knew the truth about Chiang Ching-kuo's illnesses: He had one eye that did not function, one of his feet was missing a toe, diabetes made him tired and prone to fatigue, his whole body was edemic, he had to wear a pacemaker, and his movements were sluggish. He was a seriously ill old man living in an emotionally isolated island, but the Chiang Ching-kuo of the late 1980's completely reversed the direction of Taiwan's destiny, particularly the succession of major revolutionary policy announcements, and, in the end, it is difficult to categorize the old man who emerges from the disease-wracked body, whose will was sober and calm, though he was often fatigued.) This is one evaluation given of Chiang Ching-kuo's final years by public opinion on Taiwan.

When Chiang Ching-kuo's condition worsened and he unexpectedly died, there was no loss of social order or chaos on the island, and Taiwan was able to make a quite peaceful transition to the "post-Chiang Ching-kuo period." Evidently, sound arrangements had been made before he died for the first native Taiwanese, Li Teng-hui, to be his successor and to control the KMT. This strategy did weigh on the minds of the people all over Taiwan, but in reality it was a group of active first-generation KMT members who also had arranged for the succession of Li Teng-hui, a group including an old KMT man, Li Huan [2621 3562], who had fostered this new group of core members. The new leaders of the KMT were also supported in this way.

In the last two years, the situation in Taiwan still has had some things change and some remain the same. Under the control of Li Teng-hui, the KMT has maintained its firm hold on political authority, and the only thing that has changed is that it has tolerated the emergence of 40

or so political parties of varying sizes, and the conduct of so-called party politics. In the three elections for public officials held at the end of last year, a scene emerged in which for the first time there was a scramble for a new distribution of power. Does this scramble for power mean that democracy has already emerged in political circles within Taiwan? Opinions still differ on this point. The core of democracy, which lies in arousing the people (the masses) to be masters of their own affairs, can by no means depend only on a few ballots to give it expression. The real situation may be described as having progressed somewhat from that of the past, but the gap between the present situation and bringing about a true democracy is a wide one indeed!

In accordance with the arrival of the 1990's, it appears that the cry of the Taiwanese people in striving for democracy will be even louder, and this is to be expected.

In the new year, the situation faced by the KMT will be quite complex. In the first quarter it must face another election and in the middle of February there is the KMT plenary session, which has the task of electing a new vice president and president. Here the party faces a variety of intermingled contradictions both inside and outside the party, and must deal with contradictions associated with the ideas of reform and conservative thinking. In light of the present situation, the official election of Li Teng-hui as president is a foregone conclusion, and though there was an uproar on the island last year over objections to the so-called conservatives within the party, it seems that the party must rely on a new generation of party stalwarts. The party must also decide whether to "buy out" and "give special treatment" to the aging party veterans to keep their mouths shut or to see if a compromise can be reached with the young, radical party mainstays on "forcing out" these senior delegates so that the hurdle of electing a president can safely pass. Concretely speaking, the effort to obtain a common understanding at the KMT provisional congress in the middle of February must also be seen in this light.

In the new year and throughout the rest of the decade of the nineties, whether Taiwan's political situation will be stable depends first of all on whether the KMT itself can maintain its stability and unity and whether it can strive for stable relations with the various political parties that remain out of power, such as the Democratic Progressive Party (DPP), and on the basis of promoting democracy, link up with, consult with, and together with the people of Taiwan jointly strive for and safeguard political and economic rights and interests. The KMT stance against an independent Taiwan must still set an example, and it must be able to close ranks with the DPP to be bold and assured in opposing any sort of position or wild attempt at dividing up the country's territory. This is a very important point.

Recently, certain persons within the KMT have wanted to discuss "peaceful evolution," and, a few days ago, Li Huan participated in a "discussion meeting on the

mainland democracy movement and the future of China," where he delivered a speech that dealt with topics ranging from the changing situation in Eastern Europe to the "World War III" presently being conducted worldwide, namely, the economic and ideological war. On this point, the thinking of this senior KMT figure has been quite clear-headed. But when he talked about the policies of the mainland, he also placed hope in the "peaceful evolution" of the mainland "being able politically to transfer political power." In fact, if, in accord with the will of the West, the mainland in a very short time turns into a "liberal" capitalist society, one result would be the very great possibility of Taiwan again being reduced to a colonial territory that could be easily gobbled up by foreign power. At that point, where would the KMT and the people of Taiwan stand? This is a new question which is well worth pondering.

In facing the entire period of the 1990's, KMT members with a nationalist moral integrity must constantly call attention to the spirit of a genuinely "independent Taiwan" and carefully prevent Taiwan from being propped up by foreign influence. And in carrying out a "peaceful evolution" on Taiwan, at that time will the KMT be forced to plunge into a boundless ocean?!

In the midst of the coming radical changes in the international situation, the rulers of Taiwan must know their own limitations (know themselves). On the one hand they must work at economic stability and development, while on the other hand they should also cast aside illusions, size up the current situation, conscientiously improve relations with the mainland, at an early date carry through the "three connections" (commerce, postal communications, and air and sea transport between China and Taiwan), promote contacts between compatriots on both sides, and rely on the fundamental strength and abilities of the people of the mainland and Taiwan for the cooperative and joint vigorous development of China. This enormous national strength and talent can deal with any dangerous storm that may emerge in the international situation, and put the Chinese nation in an invincible position.

During the nineties, a new situation in which there is proper conduct, joint construction, and peaceful cooperation between China and Taiwan, as well as further striving to achieve common understanding within the idea of one country, two systems, while holding aloft the great banner of unification, will truly bring good fortune and happiness to the Chinese nation.

#### Analysis of KMT Election Defeat

HK0202041090 Hong Kong CHIUSHH NIENTAI  
[THE NINETIES] in Chinese No 240,  
1 Jan 90 pp 34-37

[Article by Tang I (3282 3015): "Kuomintang Suffers the Greatest Setback in 40 Years"]

[Text] Following the announcement of election results in the early morning of 3 December, the heat of the first

round of elections gradually subsided. The ruling Kuomintang (KMT) in Taiwan suffered their greatest setback in 40 years. In local elections, the KMT retained only 14 (originally 17) of the 21 county and city chief executive posts, while the opposition won seven seats. In the central election, the opposition Democratic Progressive Party (DPP) captured the minimum 21 seats required to propose legislation in the Legislative Yuan. The overall vote won by the KMT fell below 60 percent for the first time (it used to be about 70 percent), while in city and county elections the vote fell to a record low of 53.5 percent.

### The Main Causes of Defeat

As KMT President Li Teng-hui pointed out in a recent speech: "This year's general election was the most thoroughly mobilized election organized by the ruling party in its history, but it was also one that saw the most profound defeat." What caused the KMT to suffer such great upset? The reasons may be summed up as follows:

First, internal factors. Li Teng-hui cited five main reasons for the KMT's election defeat. They are incompetence on the part of local party cadres; improper use of propaganda; the qualifications of some candidates; infighting among party nominees; and the failure to overcome local factionalism. The KMT provincial party headquarters met to examine the causes of defeat after the election. The meeting, which lasted till 0300 in the morning, discussed the questions of the aging party structure, the sluggish pace of political reform, and vacillation shown in this matter (referring mainly to the retirement of elderly assemblymen), as well as continued friction, which erupted during party primaries. Other than these, the break in the nurturing of personnel, the lack of mass support, the "creation of public opinion" by foreign forces for non-KMT candidates, and even the disposition of the electorate to see new faces and changes were also regarded by the provincial party headquarters as causes of defeat.

Second, the stock market fell for 11 days running. A stock market crash is a risk that investors must run and has nothing to do with elections. But, at about the same time, the KMT ran a newspaper advertisement using a stock market jargon as a slogan. The advertisement suggested that a vote for the KMT was a vote for a bullish market. Many investors took this as an "election promise" and bought in for the preelection rally. This advertisement appeared for only one day and was withdrawn by the KMT because it could lead to misunderstandings. However, due to the stock market crash and the absurd "tradition" of investors taking to the streets every time the stock market tumbled, many investors who suffered losses vented their anger on this advertisement and even protested outside the KMT central headquarters, shouting "no shares, no votes." This took place four days before the election.

### "The Government Lacks Principle"

The events that followed were really an eye opener for the people overseas: The KMT lowered the stock transactions tax from the proposed 1.5 percent to 0.6 percent the day after the protest. Although the stock market did soar in response, it showed an across-the-board downturn the following day. The KMT administration ended up pleasing no one in this exercise. Investors did not appreciate this concession, and the majority of the people saw this practice of "trading stock for votes" as "lacking in principle."

The KMT said it did not have any concrete figures on which to evaluate the effects of the preelection stock market policies on the election results, and very few people bothered to analyze this issue after the election. However, there is an example that may serve as a point of reference. This author was told by the editor in chief of a progovernment journal who is quite well-known in the cultural and publishing circles that the vacillating government policies had so annoyed his sisters that they withheld their votes for the KMT, although they had been loyal supporters of the KMT all along. From this minor instance we can see that the effect was by no means slight. In fact, similar things had happened before. The KMT only heard the protests of the loud-voiced investors, but ignored the presence and wishes of the majority of silent and hard-working people. Besides, no one would subscribe to attempts to influence election results through the manipulation of stock market policies.

Third, media monopoly, particularly the fact that the electronic media were indulging in unbridled propaganda for KMT candidates while ignoring the DPP and other candidates, caused strong resentment among the general public. As a countermeasure, the DPP launched a campaign against watching television and smuggled in portable television transmitters and mounting stations from which to beam their own programs.

Last, as time goes on, stable sources of votes are difficult to grasp. This, along with the involvement of academics and election frauds, are causes of the KMT's defeat. Although the effects of election frauds have always been the subject of dispute, it is a fact that more and more people have voiced their discontent and pledged "not to vote for the vote-buyers." It is reported that fixed deposits in Taiwan banks dropped by a massive NT\$50 billion [New Taiwan dollars] (nearly \$6.5 billion) in the four months prior to the election, and all this money went into campaigning. If this money was not spent on bribing voters, it is very difficult to explain where such a sum could have gone. The rumored violence did not take place during the election. However, a case of arson that killed a KMT couple allegedly connected with election disputes did take place after the election. In Tainan, the county government was besieged by people demanding a recount of votes. Many people sustained injuries during this incident.



### **Massive Involvement of Academics in Campaigning for the First Time**

The involvement of academics in campaigning was a major feature of the recent election. As early as mid-November more than 100 professors and scholars jointly signed a petition supporting the Taipei County candidate Yu Ching. This exercise pushed Yu Ching's popularity to a new height. Similar campaigning activities by scholars for candidates from both parties continued, but, in most cases, those supported were DPP candidates. Due to the relaxation of regulations governing the involvement of university students in campaign activities, student involvement was unprecedented. Some universities even conducted mock voting on campus and announced the results of their polls before the actual voting.

Naturally, the assistance of academics in campaigning was welcomed by most candidates. However, the way they went about it was open to question. Six days before the election, the "Cheng Society," formed by 27 liberal scholars in Taiwan, announced the results of a "rating of candidates" voted on by 19 of its members. This immediately drew strong criticism. According to their rating, nearly all those who scored high marks were DPP candidates, and it was KMT candidates who scored the lowest marks.

Some people argued that the result of this voting cannot be called a "rating" because the entire exercise was based merely on the subjective impression of 19 members. Its objectivity was open to question since it was based neither on scientific investigation nor on specific data. Chao Shao-kang [6392 1421 1660], whose rating was much below that of Hsu Hsiao-tan [6079 2556 0030] from the labor constituency, called this rating "this year's biggest joke." (In the actual voting, Hsu Hsiao-tan was defeated while Chao Shao-kang won the election with the highest number of votes in his constituency). Others worried that this rating would be counterproductive for DPP candidates.

As in the case of the stock market, the real effects on the election of the rating by the Cheng Society were difficult to ascertain. A friend told this writer that some Tsinghua University professors originally planned to vote for DPP candidate Tsai Jen-chien [5591 0088 1017], a leading contender in Hsinchu County. However, they took exception to the rating exercise and, to show their disappointment, gave up voting altogether. Tsai Jen-chien and two other DPP candidates, Lin Chun-i [2651 0193 5030] and Huang Huang-hsiung [7806 3552 7160], were all given top ratings, but all three lost in the election.

Although the way the Cheng Society handled the exercise was open to question, it did so with the best of intentions. It called the attention of the KMT to the declining quality of its candidates and expressed its strong desire for reform. It is believed that the general public will not negate the previous contributions of the Cheng Society because of this exercise.

Another major feature of this election was the open advocacy of Taiwan independence for the first time. Due to drastic changes in the situation on the island, members of the Taiwan Independence League abroad began their involvement in campaigning on the island. The effects of their cooperation have been demonstrated in the results of this election. Although the KMT government has stressed repeatedly that such advocacy would be severely punished, it cannot but leave one side of the net open for those elected. Because of the great number of people involved, it is also afraid that the punishment of these people will start another political conflict which will boost the popularity of the pro-independence camp. The handling of this problem is indeed a sticky business.

### **KMT: Establishment of a Party Reform Group**

The future development of Taiwan's two largest political parties after the election is a matter of universal concern. Among the questions to watch for are the growth and decline of the relative strength of various factions and policy readjustments.

After the first shock of the defeat, the KMT began working on the following four tasks under the auspices of Li Teng-hui: 1) Establish a party reform group without delay; 2) assess the pros and cons of party primaries; 3) draw up a specific program for the training and selection of future candidates (this task has been assigned to the Organizational Work Committee and Institute of Revolutionary Practice); and 4) boost the morale and confidence of party comrades.

Under repeated calls to "find out where the responsibility lies," Kuan Chung [7070 0022], deputy party secretary and Organizational Work Committee chairman, who was responsible for the election campaigning, stepped forward to claim responsibility for the election results. Secretary General Sung Chu-yu also expressed a similar intent. Although Li Teng-hui pointed out at a Central Committee session that party problems should be examined thoroughly and resolved by each and every comrade, himself included, implying that "everyone is to blame," it is believed that there will still be personnel changes within the KMT's upper echelon. The most pressing task of the KMT at present is to regroup its forces after the defeat in order to meet the challenge of the subsequent election for town and township executives. In particular, it has to learn from this setback so as not to repeat past mistakes.

However, as seen from the present state of affairs, the situation of the KMT is not exactly optimistic. To begin with, a number of important party workers have already submitted their resignation after confessing to incompetence in election campaigning. Some first-timers were discontented because they failed to obtain party nominations. Some of them even burned their party credentials to show their discontent. This came as another blow to the KMT.

As for party factions, the liberal elite will still play an important role. The "New KMT Alliance" which enjoys

popular support will no longer play second fiddle to the "Collective Wisdom Society" in the Legislative Yuan. The speed with which elderly assemblymen are replaced will also pick up. When Legislative Yuan President Liu Kuo-tsai [0491 7059 2088] announced his intention to retire, he expressed the hope to see his post being succeeded by a new legislator. This may be seen as going along with the trend of the times.

#### DDP: Implementation of the Policy of Using the Countryside To Surround the Capital

As for the DPP, the six newly elected city and county chief executives officially formed the "Democratic Association of City and County Chief Executives" on 26 December. They planned to formally pursue the strategy of "using the countryside to surround the capital" and did not rule out the possibility of resorting to a joint boycott or confrontation to challenge the central government, even the existing establishment. If this were indeed carried out, relations between the central and local governments will be mutually restrictive at best, and antagonistic at worst. We can expect to see more conflicts and greater chaos in Taiwan's political scene in the next few years.

The "New National Alliance," formed mainly by candidates from the New Tide faction, performed very well in the current election. What effect this alliance will have on the DPP, which was dominated by the former Formosa faction, is a matter of great concern not only to the KMT but also to the Chinese Communist Party. One view maintains that some members of the opportunistic Formosa faction may decide to change their stance upon discovery of the market for Taiwan independence. This will accelerate the change of the Formosa faction to a pro-independence platform. Another view maintains that some candidates joined the Alliance with the sole aim of getting elected and did not really believe in Taiwan independence. Once these candidates are elected and become part of the establishment, their radical stance will naturally weaken.

At the moment, the DPP is gearing up for the next round of elections as is the KMT and is hoping to follow up the victory with another triumph. The KMT will convene a provisional plenary session of its 13th Central Committee on 12 February to nominate candidates for the presidency and vice presidency and discuss the revision of a number of provisional clauses. The answer to the question of to what extent had the December election affected the presidential race will be known in another month or so.

Table 1: Results of KMT's 1989 Election

	No. Nominated	No. Elected	% of Seats	% of Votes
Legislators	99	70	69.3	55.4
County, city executives	22	14	66	53.5

Table 1: Results of KMT's 1989 Election (Continued)

	No. Nominated	No. Elected	% of Seats	% of Votes
Provincial councillors	65	49	63.6	54.9
Taipei City councillors	48	34	66.7	63.4
Kaohsiung City councillors	37	28	65.1	56.5

Table 2: Results of DPP's 1989 Election

	No. Nominated	No. Elected	% of Seats	% of Votes
Legislators	52	21	20.8	25.8
County, city executives	13	6	28.6	28.8
Provincial councillors	36	15	19.5	21.1
Taipei City councillors	21	14	27.5	22.7
Kaohsiung City councillors	21	8	18.6	19.7

#### Postelection Politics Entering Transition Period

HK0202043090 Hong Kong CHU-SHUI NIENTAI  
[THE NINETIES] in Chinese No. 240,  
1 Jan 90 pp 38-40

[Article by Nan Fang-shuo (0589 2455 2592): "Taiwan Politics Enters a Period of Uncertainty—General Observations After the Election"]

[Text] Following the election on 2 December, Taiwan entered a stage of political uncertainty in its transition from an authoritarian society to a democratic society. In this transitional stage, the collapse of old authority, the growth and spread of political and social conflicts, disorder, and other phenomena will inevitably occur. Unless a new norm of democracy is established, this chaotic situation resulting from loss of control will not end. Postelection politics in Taiwan will reach another peak in the escalation of disorder. History is putting Taiwan through the test of "the throes of labor" in its democratic development. Democracy will only be attained at a cost.

As far as the Kuomintang (KMT) was concerned, the 1989 election was a "vote of agreement." Although the KMT still emerged the biggest political party after the election, it lost the superiority it had previously enjoyed. The votes won by the KMT dropped from 70 percent to 60 percent, while votes won by the Democratic Progressive Party (DPP) and fellow travelers approached 40 percent, from about 20 percent in the past. This was a nightmarish defeat for the KMT.

### New Situations After the Election

Summing up the results of election, one can see many new situations on the structural level:

1. Of the 21 county and city executive posts, six seats were won by the DPP and one seat was won by a candidate without party affiliation. In other words, 14 seats went to the KMT and seven seats went to non-KMT factions. These seven executives will be in a position to "use the countryside to surround the capital." They are going to form an "alliance of county and city chief executives" to act collectively and unanimously in an effort to strengthen local authority in matters of finance, police, education, construction, and so on. The 14 KMT county and city chief executives are also planning to organize a similar alliance. This means that confrontation in local politics will intensify, while relations between the central and local governments will grow tense and move apart.

2. In Taiwan politics, the main arena is the Legislative Yuan. In the recent election, eight of the DPP candidates who campaigned on a platform of Taiwan independence were elected into the Legislative Yuan. They represented a secondary grouping with the most homogeneous group character among the 21 elected DPP candidates. Over on the KMT side, all eight candidates of the "New KMT Alliance," which was the most adamant in its opposition to Taiwan independence, also won election. This suggests that political polarization, particularly irreconcilable polarization, has been intensified in the recent election.

3. Money politics played a prominent role in the recent election. Many candidates with money politics background from the two parties have emerged triumphant. "Money politics" and "confrontation politics" are destined to dominate the Taiwan political scene for some time to come.

### Politics Gradually Returned to Its Primitive Form

The above-mentioned postelection structure is an inevitable outcome of the collapse of authority in the "post-Chiang Ching-kuo era" and the decline of the predominance of KMT rule. When there no longer is a strongman around and political taboos are broken, the process of avalanche- and domino-type collapse will commence, and an era of political contests will set in. This has been the basic pattern of politics in Taiwan over the last three years. Inside the KMT, there is the phenomenon of "submitting to no one" and the power struggle has become apparent. Outside the KMT, the challenge posed by the DPP is intensifying and the people's discontent is growing. Besieged by troubles both inside and outside, the KMT is finding the foundation of its rule shaking—it no longer has the power to introduce major policies. Since any policy option will, in the short run, benefit some people at the expense of others, those losing out will show their discontent in this era of disintegrating authority. The KMT has thus become the target of the people's wrath no matter what it does. It was under such

a historical condition that the 1989 election unfolded. The KMT encountered rebellion and defection on an unprecedented scale. Practically the entire intelligentsia sided with the DPP. The KMT was on the verge of losing its political grip.

Actually, one can only begin to comprehend the election results from the changes in the history of Taiwan over the last 40 years. During these last four decades, which saw the KMT retreating to Taiwan and gradually expanding by surmounting difficulties through high-handed means, numerous problems have built up.

1. In an effort to show the "orthodoxy" of its rule, it made the grave historical mistake of championing the notion of legally constituted authority that ruled out the need to hold reelections for the three parliamentary bodies. This turned the complementary notions of "orthodox authority" and "internal democracy" into antagonistic categories.

2. The KMT inherited the Japanese colonial government structure, which was already highly developed in terms of privileged capitalism, and turned it into a highly monopolistic state capitalist structure. This structure helped bring about stability in Taiwan in the 1950's and contributed to the development of the island in the 1960's and 1970's. With the growth of the nongovernmental sector in the 1980's, however, it increasingly came under attack because it was blocking the avenues of private capital expansion. This economic structure was largely responsible for the growing discontent harbored by large and small enterprises against the KMT.

3. Being vested with full powers all along, the KMT exercises highly centralized control over journalism, education, and culture. However, this centralized control has begun to crumble following the breaking of political taboos. During the past year newspapers have been unprecedentedly bold in their commentaries and reports. In an effort to compete for the market, some newspapers with poor showings printed everything newsworthy without bothering to verify their truth. Campus riots were also unprecedented.

As far as the equilibrium of power between political parties and the decentralization of power are concerned, the projection of reactions produced by accumulated historical problems on the results of election can be seen as some kind of progress. In an unstable political situation, however, such projections may lead to progress or it may lead to retrogression. Take the recent election, for instance. There are signs that Taiwan politics is gradually returning to its primitive form—power is everything, whether it be people's power or money power.

### The Future Political Development of the KMT

The following aspects are worth noting in the future development of the KMT:

First, after the election, the question of the retirement of elderly assemblymen is becoming more and more



pressing. While no one can say that these veterans have not made any contributions these last 40 years, today they have become a dead weight on the KMT and have even become the major cause of queries into the "legitimacy" of the KMT. Hence, second-generation mainlanders within the ranks of the KMT are becoming more and more convinced that their election defeat has a lot to do with the refusal of the elderly assemblymen to retire. Like the DPP, they are also pressing for the retirement of these veterans. However, this strong demand for "forced retirement" has produced intense reaction among the elderly assemblymen, who see this as an act of "constitutional violation" instigated by Li Teng-hui. Since the National Assembly will meet in March 1990 to choose the next president, these elderly assemblymen are letting out information unfavorable to Li Teng-hui and are encouraging Chiang Wei-kuo and others to run for president. On the other hand, KMT academics have launched a signature campaign pressing for the retirement of these elderly assemblymen. It is thus quite obvious that the upper echelon of the KMT has now entered a stage of an intense dogfight and the outcome is bound to be nasty.

Second, the centralized rule of the KMT is weakening. A most obvious sign of this is: Since the Taiwan provincial assembly and the Taipei city assembly were reconstituted after the election, the KMT must, as a routine, nominate the presidents and vice presidents of these two assemblies. However, the lists of nominees met with strong objection, even protest, as soon as they were announced, and advertisements expressing dissatisfaction were placed in newspapers. This kind of nonsubmission within the party has, in fact, been a turning point in the KMT's internal development these last couple of years. Every time personnel changes are announced, those who stand to lose will make public their discontent and even make a political issue out of the situation. This internal disintegration will ultimately lead to the rise of regional, factional, and money powers.

### Three Major Factions Among the Newly Elected Legislators

Last, due to the collapse of authority, the future KMT parliament, particularly the Legislative Yuan, will become the arena for the contest of factional and money politics. The newly elected KMT legislators may be grouped under three factions: The 15-member "Society of Collective Wisdom" [Chi Sau Hui (7162 1835 2585)] has money power and reformist instincts; the eight-member "New KMT Alliance," made up of KMT generals, is the most adamant in its opposition to Taiwan independence and demands for reform; and the 12-member "Society for Research on National Construction" [Chien Yen Hui (1696 4282 2585)] has good party relations and money power. The characteristics of these three main factions sum up the political theme of the KMT of the future. Either rely on mass appeal, or rely on factional or money power. More and more of the newly elected legislators have aligned themselves with interest groups, as has been fully illustrated by recent events in

the Legislative Yuan. Many legislators who represent the interests of stockmarket traders have recently staged a boycott over transaction tax and handling fees. Such an obvious interest-oriented stance has cast serious doubts on the political quality of future politicians. What is particularly worthy of attention is the future confrontation and conflicts between the "New KMT Alliance" and the DPP's "New National Alliance."

Hence, the future development of Taiwan politics is that authority will collapse at an even faster rate, politics will evolve into power conflicts and money power, and relations between the central and local governments will grow tense. The latter is particularly true because DPP county and city executives are most likely to press for greater local autonomy. They may even press for legislation on such symbolic issues as language, whether the national flag should be hoisted, whether bronze statues of Chiang Kai-shek should be demolished, and so on. The intensification of these issues will make Taiwan politics more complicated and lead to a crisis of national consensus.

The outcome of this political development may be some kind of "social Darwinism"—just as occurred in the political situation in the U.S. after the Civil War. Although problems such as labor were not prominent issues in the recent election, it is not entirely unlikely that class issues may gain prominence if political disintegration continues, as the experience of other countries illustrates. This is particularly true in the current situation of political disorder. Since it is the rich who truly stand to benefit, the gap between the rich and the poor is widening. Social issues of this type have become a possible cause of future change in Taiwan.

For some time to come, "disintegrated politics" and "confrontation politics" will continue and intensify. Conflicts within the KMT between new and old members are bound to sharpen, while conflicts between the pro-independence and anti-independence factions within the DPP may also intensify. In the meantime, conflicts between the two parties will become common. Apparently, there are only two ways to get out of such a situation: One is to rely on the emergence of a mainstream middle-of-the-road intelligentsia and the other is to overhaul the KMT and create a new framework and norm of democracy. Since it is becoming less and less likely that the first scenario will materialize, it seems that the only hope now lies in KMT-initiated reforms.

### The KMT Needs a New Design That Holds Good for All Time

In an effort to reexamine its performance, the KMT has, in its first Standing Committee meeting after the election, established a party reform group. The question is, although the KMT is trying to change under mounting pressure, its reasoning is still rather traditional. With regard to existing problems, it is possible that the question of the retirement of elderly assemblymen may be

resolved when the National Assembly next meets. However, it still lacks sufficient knowledge and experience with respect to the other issues. It seems that the KMT still fails to see that its future challenges will be basic challenges that will come wave upon wave. These will include issues such as constitutional structure and local autonomy. Unless the KMT implements a new design that will hold good for all time, it will be forced to "respond" passively through the entire process of political change and, in the course of "responding" to changes, see its decline gain momentum. Democratic politics depends neither on romantic sentiments nor on nostalgic feelings. It requires keen insight into the past and the present. Thus far there have been no signs that the KMT is working on a design and overhaul for total democracy.

Taiwan is one of the few developing countries that is attempting to take the road to democracy by relying on its own efforts. This historical task is by no means easy. It will involve the reestablishment of national consensus, the remolding of democratic structure, as well as the emergence of democratic habits and qualities. It is still a long way from such a stage of reconstruction. Will the KMT will be able to win back its respect through this reconstruction? Apparently we have to wait until after Li Teng-hui begins his new term of office next May to hear the answer to this question.

#### **DPP Members Said To Violate Rules in Taking Oath**

OWD303004690 Taipei International Service in English  
0200 GMT 26 Feb 90

[Text] Eleven deputies of the opposition Democratic Progressive Party (DPP) Saturday (24 February) took the oath of office in the absence of a presiding officer. A Kuomintang (KMT) deputy demanded the DPP representatives' oath-taking be declared invalid because they violated established rules.

First, while taking the oath, the DPP deputies did not face the national flag and the portrait of Dr. Sun Yat-sen, founding father of the Republic of China; second, they said they represented, quote, the people of Taiwan, unquote, instead of saying they represented, quote, the people of the Republic of China, unquote; third, they used the Western calendar year rather than the Chinese calendar 79th year of the Republic of China; and finally, they took the oath in the Taiwanese dialect rather than in Mandarin.

If the DPP representatives' oath-taking is officially declared invalid, they will lose the right to exercise their duties.

#### **U.S.-Trained Taiwan-Born Engineers Return Home**

OW1502125690 Taipei International Service in English  
0200 GMT 11 Feb 90

[Station commentary by Joanna Fu: "Reverse Brain Drain Propels Taiwan's High-Tech"]

[Text] After several decades of losing the cream of its engineering crop to foreign lands and corporations, the Republic of China on Taiwan is currently in the midst of a major technology boom, thanks to a marked reversal of the brain drain. Commentary for the Voice of Free China. This is Joanna Fu.

According to THE LOS ANGELES TIMES newspaper, the flow of highly educated and experienced electronics engineers back to Taiwan might be good for Taiwan, but could spell trouble for the United States. Many of the Taiwan-born, U.S.-educated engineers have played pivotal roles in the success of the United States' Silicon Valley. Now they are returning to Taiwan to help turn Taiwan into a Silicon Island.

Originally, most of the engineers stayed on in the [United] States to get better, high-paying jobs, that were not available in Taiwan in the seventies and eighties. Now, however, the combination of a lasting emotional attachment to their homes and the prospects of landing good jobs and being able to contribute to Taiwan's hi-tech development has attracted many of the engineers back to their Chinese homeland.

U.S. Government and business spokesmen have expressed concern that the reverse brain drain to Taiwan may expedite the leakage of technology overseas. But that is a net price the United States may have to pay. After all, it was a blessing for the United States that so many capable Chinese engineers stayed on in the United States for all those years. Without their contributions, perhaps there would be no Silicon Valley in the first place.

The reversal of the brain drain comes at a critical juncture in Taiwan's development. Industry on the island is in transition, making the leap from low-end computers and peripherals to hi-tech, cutting edge consumer products. As the TIMES puts it, the U.S.-trained engineers offer a lifeline to help lift Taiwan from its image of copycat producers of cheap computer parts to innovative makers of more advanced product lines.

That is definitely the case. Taiwan's largest PC manufacturers, ACER, MITAC, and KOPAM are indeed on the cutting edge of advances in the PC field. ACER and MITAC have raced to be the first to apply faster speeds to computer processors, and both have succeeded in gaining recognition in foreign markets and in industry circles. In the peripheral sector, Taiwan boasts such rising stars as MICROTEK, a world leader in the production of mice and scanners.

Perhaps the reverse brain drain is best exemplified by Ronald Chuang, who now heads ACER's semiconductor lab. Chuang received his Ph.D. in electrical engineering from the University of Southern California, then worked for 12 years in Silicon Valley, designing chips. ACER also lured Leonard Liu, a former director of IBM's research lab, to return home. Liu is now ACER president.

There are literally tens of thousands of Chuangs and Lius out there who are now deciding to return home to Taiwan. If the brain drain reversal continues at its current pace, there will be no question that Taiwan will recover the means to be a leader in technology fields. Already there are plenty of positive signs that the island will achieve its latest transition to hi-tech, with flying colors. The reversal of the brain drain is one of the leading catalysts.



### Residency Rights, Basic Law Remain Controversial

90CND06884 Hong Kong MING PAO in Chinese  
17 Jan 90 p 2

[Article by Lu Fan-chih (7627 0416 0037): "The Two Large Controversies in Present-Day Hong Kong Politics"]

[Text] Although the situation in Hong Kong has eased very much compared to what it was a few months ago, on the political scene all kinds of contradictions and even clashes keep it still very much agitated. It seems that with the gradual approach of the date for the transfer of power in 1997, "politicization" of Hong Kong's society will unavoidably increase rapidly. Considering that Hong Kong was for a long time a colonial, mercantile society that never had popular political training (even the "elite" have had no political training), a reasonable measure of "politicization" is necessary for the sound future development of Hong Kong. However Hong Kong must at the same time beware of "excessive politicization," which would have a negative impact on normal development in many quarters. Contradictions and clashes that are too heated and too violent could threaten the very existence of the complex entity that is Hong Kong. Fully aware of the situation, one must seek in all the diverse contradictions a harmonious development based on rational compromises. This would be in the interests of Hong Kong, and would also be a rigorous apprenticeship on the way to political maturity for the people at large and for every type of leadership personality in Hong Kong.

### The Right To Reside in England From the Viewpoint of Hong Kong Society

Two political problems are now the subject of much political contradiction and controversy in Hong Kong, one is the question of the right to reside in England, and one is the question of the "Basic Law." The former is the cause of a "cold war" between the Chinese and British authorities (the latter comprises the setting up of a political system by Great Britain and Hong Kong), although the effects of the former on Hong Kong are incomparably less than the effects of the "Basic Law." As I see it, there is, first, great anxiety among the people of Hong Kong after the "4 June" affair, which has stirred up undue panic and intensified the urge to emigrate—the "avoiding Ch'in" syndrome [reference to the fleeing from the turmoil in the Ch'in dynasty]—which is an understandable state of mind among the people in general. Second, no matter how strong the intentions to emigrate, objectively, most of Hong Kong's population will still have to remain in Hong Kong. In the case of those friends who are truly extremely fearful of 1997, I would not oppose their emigration, but neither would I encourage emigration, because speaking of the overall interests of Hong Kong, emigration is not beneficial.

Third, especially with regard to those politically involved people whose propaganda calls for a struggle to

have Hong Kong ruled by Hong Kong people, with regard to the "democratic faction" or to activists of every shade, I would even less agree with their efforts to turn the emigration alternative into a social movement (for instance, the movement to gain residence rights in England with the slogan "Hong Kong people save Hong Kong"), which undoubtedly is in conflict with the purpose of Hong Kong and as a social movement ought not to be advocated (as to individuals wanting to emigrate, that is their own choice and basic right).

Fourth, looking at the realities of the situation, we see that England, in view of its unfavorable economic condition and its social condition, already plagued with the problem of Asian and African immigrants, is in no position to accommodate large numbers of Hong Kong emigrants. That is very evident. Under these circumstances trying to obtain domicile rights for 6 million, or even for somewhat over 3 million people born in Hong Kong, is not realistic and is merely apt to confuse the thinking of Hong Kong people and to bring about the contradiction of dividing the people among themselves. The scheme is even less acceptable from a national standpoint.

Fifth, England has decided to give 50,000 Hong Kong households (about 225,000 persons) the right of domicile in Great Britain, essentially in order to justify its attitude before Parliament and to maintain the image of an "honorable retreat." However, a large proportion of these somewhat over 220,000 people will certainly have other immigration opportunities and will not choose to go to England. The number of actual immigrants from Hong Kong to England will therefore be much smaller than the mentioned figure.

Sixth, even though the number of immigrants from Hong Kong who will actually be admitted by England will be small, a very large proportion in this quota will be high-ranking public servants, and, this will surely bring about low morale among middle and lower ranks resulting bad impact on the provisional Hong Kong Government's operations during the 1997 transitional period. This question must be seriously studied.

Regardless of what standpoint is taken by the Chinese and British authorities in the "cold war" over the question of the right of domicile in England, from the standpoint of Hong Kong's society, it is, in my opinion, necessary to hold the above-stated views.

### The "Basic Law" Not an Ideal Instrument and the "Harmonious Coordination" Line of Action

As to the problem of the "Basic Law," this "little constitution" has not yet been finalized, but only minor details are still missing and its fundamental outline has already become visible. There is no doubt that this is a "Basic Law" with very little democratic content. In view of the "Hong Kong-style government" that was developed after the advent of the "1997 problem," and in view of the facts surrounding the formulation of the "Basic Law," the paucity of democratic content in the

"Basic Law" is something that was to be expected. It has to do, on the one hand, with the need for much "harmonious coordination" in forming the "Hong Kong-style government," and on the other hand also with the Chinese Communists' antagonism toward Western-style democracy (the "democratic, anticommunist" tactics of the dominant parties among Hong Kong's democratic faction have even further affirmed this mentality in the minds of the Chinese Communists and have been of particular assistance to the conservative faction among Hong Kong's large capitalists). However, the current basic situation of Hong Kong's "1997 politics" is just like this. The need for much more "harmonious coordination" in "1997 politics" is unavoidable. However, a "harmonious coordination" that tends overly toward the democratic component may be able to achieve a gradual change and an increase in the democratic content, through either vigorous contention or tactics of compromise, but obviously not through a "confrontational line" of action.

#### **The Principle of "Dovetailing" and Return to the "Harmonious Coordination" of Pre-4 June**

Promulgation of the "Basic Law" is imminent, and it is now time to discuss relevant questions, such as the following:

First, the question of effectiveness and value of the "harmonious coordination" line of action. The so-called "four-four-two" plan is a product of the "harmonious coordination" line of action. Its value is not at all whether it is a plan that can be adopted by the "Basic Law" (actually, no plan proposal can entirely become a final draft of the political system of the "Basic Law," because the latter is of a comprehensive nature, while each plan plays a certain role). The effectiveness and value of the "four-four-two" plan lies in that it evolved a basic pattern out of the practice of the "harmonious coordination" line of action, which will then be continued and pursued in the "harmonious coordination" of the "1997 politics," using "four-four-two" as reference. The extremists in the "democratic faction" are already considering extricating themselves from the "four-four-two" plan, but when the Democracy Promotion Conference took a vote, the majority of the extremists also voted to maintain the "four-four-two" plan. This indicates that, with the change to a new situation, the ways of thinking among the "democratic faction" itself have undergone important changes, and it also demonstrates that the "harmonious coordination" line of action of the "moderate democratic faction" is expanding its influence, although the extremists are still the mainstream of the "democratic faction." However, the "harmonious coordination" line of action is gradually and effectively opposing the "confrontational line," and it can be foreseen that this development will continue. The change in the line of action can possibly lead to personnel changes. Actually, only through personnel changes can any change in the line of action be achieved, but as things are now, this will still require quite some time.

Second, the extremist party may choose not to recognize a "Basic Law" with too little democratic content, but this obviously would not be realistic. In my opinion, recognition of the "Basic Law" is a necessity, but at the same time its insufficient democratic nature may be pointed out. Effort could then be made later to amend the "Basic Law" through appropriate legal procedures and start a "constitution amendment movement" to raise its democratic content.

Third, the problem of dovetailing the "1 September direct elections" with the political system of the "Basic Law." In my opinion, it is still necessary to continue and maintain the principle of dovetailing the two. By now, Britain will not necessarily be opposed to the dovetailing. The direct elections on 1 September must be dovetailed with the "Basic Law," and the pattern of the political system in the "Basic Law" must be returned to a pattern similar to the "mainstream plan" of the "Basic Law" draft. On the whole, returning to a similar situation as before the 4 June affair, a setup which had already achieved a "harmonious coordination," it appears, is also the real objective of the various efforts of the Chinese side in Hong Kong in the post-4 June period.

#### **Basic Law Drafting Nears Completion**

90DN0270A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 1, 1 Jan 90 pp 24-25

[Article by Shen Tanhou (3088 2481 0186): "The Drafting of the Hong Kong Basic Law Is in Its Final Stage. A Summary of the Meetings of the Subcommittees Drafting the Basic Law for the Hong Kong Special Administrative Region"]

#### **[Text] The Meetings That Were the Focus of Everyone's Attention**

The last meetings of the subcommittees that are drafting the Basic Law for the Hong Kong Special Administrative Region (SAR), which have become the focus of everyone's attention both in Hong Kong and in Mainland China, were held in Guangzhou from 11 to 19 December 1989. These were the first official meetings of the joint drafting committee members from Hong Kong and Mainland China since the "Beijing disturbances" in the spring and summer of 1989. Except for the political system subcommittee, the other four subcommittees, those on the relations between the CPC Central Committee and the Hong Kong SAR, the political system, education, science, and literature; the economy, and residents' rights and duties, finished their jobs of further amending the relevant clauses and appendices in the Basic Law (Draft) that they were each responsible for.

As early as the day before the first of these final subcommittee meetings were to begin, reporters from both Hong Kong and Mainland China were waiting at the Huayuan Hotel in Guangzhou where the committee members were staying. As each group of committee members entered the hotel, the reporters flocked around and fired a volley

of questions at them, without regard for their travel fatigue. All of the many questions concerned a variety of speculations on and prospects for these subcommittee meetings. This was, after all, not only their first meeting after an 8-month period of soliciting opinions, but also was the last time that the subcommittees would meet. Moreover, since the various views on and plans for the Basic Law (Draft) had aroused increasingly critical and widespread concern in Hong Kong and other areas throughout China, it was no wonder that reporters of both sexes vied with each other for news and pictures.

#### The Meetings Came Off Quite Smoothly

As it turned out, the excessive worries were unnecessary. Not only did the first several days of meetings between the PRC and SAR subcommittee members not "break down," but they even came off quite smoothly. Even though the discussions at the meetings were very heated at times, all the committee members observed the drafting aim of "one country, two systems," presented the facts and reasoned things out, chose their words with great care, engaged in repeated deliberations, and tried to reach a consensus or a majority viewpoint. At times, in order to convey an idea more accurately, legal experts from both sides not only discussed it in the conference rooms during the day, but also compared notes about it in coffee shops at night.

The subcommittee on relations between the CPC Central Committee and the SAR finally decided to add a provision to Article 23 of the Basic Law (Draft) that the SAR would voluntarily "prohibit the overthrow of the central people's government" and, in light of the regulations on mass organizations that are currently in effect in Hong Kong, to also add a provision to "prohibit foreign organizations or groups of a political nature from engaging in political activities in the Hong Kong SAR, and to prohibit organizations or groups of a political nature in the Hong Kong SAR from establishing relations with foreign organizations or groups of a political nature." This is the common aspiration of the 1.1 billion Chinese people, including their Hong Kong compatriots, a deterrent to the handful of people who would try to use Hong Kong as a base to overthrow the central people's government and sabotage the policy of "one government, two systems," and also a stern warning to certain foreign powers who would dearly like to "internationalize" Hong Kong's future political affairs. In order to ease the worries of Hong Kong compatriots about the high level of self-government that the CPC will authorize the Hong Kong SAR to practice according to the provisions of the Basic Law and, in light of certain misgivings expressed during the period of soliciting opinions and statements at its meetings, the subcommittee clearly stipulated the nature of disturbances that the Hong Kong SAR could not control and that would constitute a state of emergency as covered by Article 18, Section 4 of the Basic Law, as "those that would endanger national unity and security." It also added more detailed provisions on the approved procedures that people from other parts of China would have to go through to enter the Hong Kong

SAR, as covered by Article 22, Section 4 of the Basic Law. In addition, through the cooperation and joint efforts of committee members from both sides, it also added fair and reasonable amendments to Article 19 of the Basic Law (Draft), which was the only one that had not been passed by a two-thirds majority at the eighth plenary session of the drafting committee.

The next meeting was held by the subcommittee on the political system. This subcommittee meeting, that was commonly regarded as being faced with serious and longstanding problems, made one advance after another. Moreover, good news came out of the selection committee for the emblem on the flag of the Hong Kong SAR. The sketch for the design of the emblem on the SAR flag, which had not been passed by the eighth plenary session of the drafting committee in February 1989 and about which there was much difference of opinion, was amended through the collective efforts of the selection committee to a design for a flag emblem with a three-petaled white bauhinia blakeana flower to represent Hong Kong. This was generally approved by all drafting subcommittee members and laid a good foundation for the deliberations and decisions of the ninth plenary session of the drafting committee.

The three subcommittee meetings on education, science, and literature; the economy; and residents' rights and duties, that followed the subcommittee meeting on the political system, came off so smoothly that, although they were each scheduled to last one day, they finished their jobs satisfactorily one-half day ahead of schedule. After the members of these three subcommittees had conscientiously studied the various ideas that were expressed in Hong Kong and on Mainland China during the period of soliciting opinions, they felt that everyone in both society and their subcommittees was basically satisfied with the relevant clauses of the current Basic Law (Draft). The subcommittee on education, science, and literature deleted and changed only three characters in Article 144. The subcommittee on the economy added one sentence to Article 110, Section 2, which is that "Hong Kong currency issued must be 100-percent backed up by starter funds," and added seven characters to Article 118, that "attention must be paid to environmental protection." These two amendments were based on opinions expressed by Hong Kong residents. The subcommittee on residents' rights and duties also amended only two points. At the start of the meeting, a drafting committee member from Hong Kong introduced a proposal from Mainland China to add a sentence to Article 24, Item 4, that "only those who hold valid tourist credentials can enter Hong Kong." This tightens the definition of permanent residents in the Hong Kong SAR and eliminates the possibility that illegal immigrants, such as the present Vietnam boat people, will become permanent residents. This proposal was endorsed immediately by the whole subcommittee. Based on strong demands by Hong Kong workers and on Hong Kong's social realities, the subcommittee members



also added a provision to Article 36 for workers' pensions to be protected by law.

#### Progress Was Also Made at the Meeting of the Subcommittee on the Political System

The meeting of the subcommittee on the political system lasted the longest, for four days, from 13 through 16 December 1989, and made much progress. In the process of conscientiously studying the various opinions collected from both sides, the subcommittee members discussed point by point and made the necessary amendments to the clauses and appendices of the Basic Law (Draft) on the political system as well as the resolutions drafted by the National People's Congress on establishing the Hong Kong SAR's first government and legislature. The method of establishing the Hong Kong SAR's legislature and its executive officials has become a hotly debated topic of conversation in Hong Kong political circles in recent years, and an endless number of plans have been put forth to accomplish it. Three subcommittee members from Hong Kong put forward on their own or were entrusted to propose three plans at the meeting. The "one legislature in two parts" and "comprehensive" plans were the hottest of the current Hong Kong hot topics of conversation, with each having many supporters, while the "three-three-three plan" was an amendment based on existing plans in the Basic Law (Draft). Although the subcommittee members from Mainland China did not bring any plans to the meeting, they reaffirmed several important principles for designing the future SAR political system, i.e., that the SAR political system must be based on the principle of "one country, two systems," that there must be guarantees that it will not result in a regime that is antagonistic to the central government of the PRC, democracy must be expanded only in an orderly, step-by-step way, Hong Kong's continued stability and prosperity must be ensured, and all social strata must be able to participate. Based on a spirit of seeking common ground while reserving differences, the meeting "broke down the issues into their component parts," first listing the key elements of the most difficult issue of the method of establishing the legislature, and then calmly checking off the relevant common grounds or similarities in each plan. In this way, they reached agreement on the following key elements: that the future SAR legislature will be composed of three kinds of legislative assembly seats—a functional group, directly elected members, and an election committee; that the first legislature will have 60 seats, not more than 30 percent of which will be directly elected; that the composition and proportions of the first legislature will remain basically stable for the decade from 1997 to 2007; that legislation on the makeup of all legislatures after that will be decided by the SAR itself; and that legislative voting will use the method of separate balloting. How the subcommittee on the political system will combine these key elements to form a new plan, will be held over for discussion and decision in its last meeting on 17 to 20 January 1990.

#### Looking Forward to the First Spring of the 1990's

Although the drafting of the Basic Law for the Hong Kong SAR has taken almost five years, it is nearing its final stage. The last subcommittee meetings and an enlarged meeting of the drafting committee chairmen will be held in January 1990. After the Spring Festival, the ninth plenary session of the drafting committee will vote on the amendments to the Basic Law (Draft) that are proposed by each subcommittee, the SAR flag emblem selection committee, and the enlarged meeting of the drafting committee chairmen, and adopt the amendments to the Basic Law (Draft) after they are submitted to and examined and approved by the Standing Committee of the National People's Congress.

As all of the amendments to the Basic Law (Draft) are more or less finished now as 1989 draws to its close, people are wholeheartedly looking forward to the final perfection and a smooth delivery in the first spring of the 1990's of this law draft that was truly followed with interest and supported by people in all circles of both Hong Kong and Mainland China, that was worked on so hard by all members of the drafting committee, and that is of such unprecedented importance to the PRC.

#### Future of Hong Kong Viewed

HK0102100090 Hong Kong CHIU SHIH NIENT AI  
(THE NINETIES) in Chinese  
No 240, 1 Jan 90 pp 28-30

[Article by He Li (0149 4539) in "Political Salon" column: "Hong Kong in the Nineties: Disappointment and Hope"]

[Text] In an article he wrote in 1989, entitled "The Disappointment and Hope of China" (see CHIU SHIH NIENT AI, February 1989), Fang Lizhi pointed out that the disappointment is rooted in four decades of the socialist system, and the hope lies in the road to democracy and reform. Everyone knows what happened in China and to Fang in 1989. As well, everybody knows the shock of mainland events on Hong Kong. The people of Hong Kong know it only too well.

I believe disappointment and hope can be used to describe the sentiment of Hong Kong people in light of the nineties. How to view the future of Hong Kong and predict its fate is the theme of "Political Salon" this month. We have three discussants: Yeung Sum and Ho Chun Yan, who are key figures of the Joint Committee for the Promotion of Democratic Government in Hong Kong and the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, and Joseph Cheng Y.S. Cheng, dean of the Faculty of Literature and Humanities, the Hong Kong Open Learning Institute. When organizing the notes for this discussion, this author borrowed from the title Fang Lizhi used for 1989: disappointment and hope.

### Deepening of the Hong Kong Government's Administrative Crisis

Prodemocracy supporters in Hong Kong have been actively preparing for a political party named the Hong Kong Democratic Alliance, expected to be officially launched in March or April this year. In Hong Kong, political parties have long been perceived as taboo. Beijing has many reservations about the formation of political parties in Hong Kong. Now, prodemocracy supporters challenge this taboo, especially at a time when the future looks bleak. How do they assess the future situation?

Yeung Sum expects that in the seven and a half years leading to 1997, the administrative crisis of the Hong Kong Government will further intensify, as illustrated in three areas.

First, the British Government tries to allay Hong Kong people's anxiety by offering to 50,000 families (about 220,000 people) the right of abode in Britain without having to leave Hong Kong. The intent is to keep the cream of society here and maintain effective administration of Hong Kong for the next seven and a half years. However, it is questionable whether a package that takes care of 50,000 people can allay public anxiety and maintain effective government and economic operations when the crisis of confidence is so serious.

Second, China keeps a close watch on the democratization of the political system and the drafting of the Human Rights Bill in Hong Kong and leaves no room for Hong Kong to "cheat." In political system development, according to the "consensus" of the Legislative Council (Legco) and the Executive Council (Exco), in 1991 20 seats of Legco should be directly elected, whereas China is trying to stipulate in the Basic Law, a mini-constitution for post-1997 Hong Kong, that the number of directly elected seats be restricted to 18 or less in 1997, and claims that Hong Kong and London must stick to their policy of "convergence" with the Basic Law. Meanwhile, China is determined about having two transition periods, the first being the runup to 1997, when the political system should remain intact as much as possible; the second being 10 years of status quo in the political system after 1997 and the abolition of universal suffrage which is supposed to be introduced about then. In this way, the post-1997 political system is likely to "remain unchanged for 50 years." China's claim that the Human Rights Bill, drafted by the Hong Kong Government, must not surpass Hong Kong law, also leaves the status of the Human Rights Bill uncertain after 1997. Does Hong Kong have the courage to confront China? It looks unlikely. It cannot possibly move forward by itself. In the end it will likely yield.

Third, the Hong Kong Government is trying to privatize social services, including health services, housing, and education. The setting up of the Hospital Authority aims at reducing the government's responsibilities for health services. In housing, the government is building less public housing and, by 1994, will cease funding the Hong

Kong Housing Authority. In education it also encourages privatization. In the past, social disparity has been narrowed with the provision of public medical services, housing, and education. In the next few years, the economy will slow down, social tension will increase and intensify with the privatization of public services, the people will have less confidence in the government, and the government's administrative crisis will deepen.

### Britain Phases Out, China Phases In

According to Ho Chun Yan, three psychological factors explain Hong Kong people's distrust in the government.

First, the British have only seven and a half years more in Hong Kong. The situation has developed to such a state that they aim at a relatively decent retreat rather than a glorious one. All British measures on Hong Kong, including the right of abode package, are to solidify the rule in Hong Kong during these seven and a half years. Britain is not able to deal with the chaos in post-1997 Hong Kong.

Second, when handling Hong Kong issues, Britain definitely works primarily for its own interests. Therefore, it is very likely to put the Sino-British relationship above the interests of Hong Kong people, and moral responsibility is out of the question.

Third, London does not see Hong Kong people as its subjects. Hong Kong is no Gibraltar or Falkland Islands. Neither is London willing to carry the heavy burden of Hong Kong.

Therefore, London and Hong Kong are only after short-term results. The recent announcement of the capital construction program in the nineties is intended to provide some stimulation at a time of economic decline so as to reduce the recession caused by loss of confidence. The drafting of the Human Rights Bill is probably a show to the British and international public, rather than for the interests of Hong Kong people.

In the next few years, Britain will continue to phase out, and China will phase in further. However, if the current political climate on the mainland continues, the pressure on Hong Kong will be heavy. China's attitude toward Hong Kong after 4 June is a sharp contrast to that before. Now it accuses Hong Kong of being subversive and says Hong Kong must not install protective measures against it. Actually it is cautious about Hong Kong. The more insecure it is, the stronger control it exerts on Hong Kong, and the less tolerant it is on diverse opinions. The strict approach to the Basic Law and the words of China's officials in recent months show that China is more in need of security than before and its intent to control is more evident. It would rather keep Hong Kong in stagnant "stability" than let it move in development.

Hong Kong people have been living in the shadow of history. They have witnessed the turmoil in the last few decades and know what oppressive communist rule means. Meanwhile, they generally feel powerless when

comparing Hong Kong with the whole of China. Besides, most Hong Kong people care only for themselves. Few are prepared to sacrifice for the greater good. Many feel there is nothing they can do and no one they can rely on, and so decide to leave. Yet, the tougher the situation, the more should people stay and work for the future.

#### Critical Test of Confidence and Absence of Leaders

According to Joseph Cheng, between now and 1997 Hong Kong must face tests in 1992, 1994, and 1994. In these few years there are both positive and negative factors.

On the negative side, the brain drain will reach a peak in the next few years. It is estimated that 55,000 people will emigrate in 1990. If the major receiving countries continue to take Hong Kong people, more will leave during the peak of brain drain in the early 1990's. A recent survey shows that two-thirds of Hong Kong's accountants have applied for emigration. How to survive this test is a serious issue. Meanwhile, the Hong Kong economy will slow down in the next few years and investment will drop. Economic recession in China is not likely to help boost the Hong Kong economy.

There is also a positive side, marked mainly by likely changes in China, especially personnel changes in its administration. Even people in China believe that the current state will not last long and that it will change. Although the top administration can control the situation, the purge cannot be thorough. Everyone is expecting something to happen. The problem is that the mainlanders, having gone through numerous political movements, can wait for it; whereas Hong Kong people have a fragile confidence. Many cannot wait. When the situation does not change in time, they leave. Another point is whether the generation of Hong Kong people in their twenties and thirties are determined to stay. If these people realize that they have neither the money nor other qualifications to leave and that upward mobility awaits them if they stay, they will decide to stay and strive for democracy. However, Hong Kong people are pragmatic, and many are not optimistic about striving for democracy.

Another negative factor is a serious lack of leadership.

First, Hong Kong people definitely do not trust the allegedly pro-British elite, for most people are convinced that Britain has no integrity. London's and Hong Kong's effort to nurture loyalists and cultivate a good image for them is futile.

Second, in the past, civil servants were regarded as important pillars. With the imminent change of government, senior civil servants can imagine their future fortune. An upward move is not likely, but a downward push may lead to their destruction.

Third, Hong Kong people see prodemocracy members as good guys who deserve support, but at the same time hope they are low-key so as not to offend the "granddaddies."

Fourth, it is not necessary to mention leftists here, for Hong Kong people have always had a certain opinion on them. In the 1970's, some idealists joined leftwing organizations, such as leftwing newspapers, and produced some impact. They should be affirmed and respected. However, after 4 June, even these people are expelled. Since then the image of Hong Kong leftists has become even worse. It is hard to imagine them as "Hong Kong people governing Hong Kong."

#### "We Have Seven and a Half Years. They Don't."

Quite a few negative factors await the future. Is there some hope? At least the world is undergoing radical change. Communist dictatorship in Eastern Europe has reached its end and is disintegrating. This macroclimate must have an impact on China. In actual fact, China is changing. The old men of Zhongnanhai are trying their best to suppress, but the people yearn for change, and the passing away of the aged is an irresistible law of nature. Dramatic change may therefore take place in China at any time. Although public sentiment in Hong Kong is so cold as to have reached freezing point, can't we think this way: "At least we have seven and a half years, while they don't."

Yeung and Ho say they hope more people will think this way and contribute to the future. While the generation in their twenties and thirties have to be determined to stay, it is more necessary for those older than them who are more mature to stay. This is why Yeung and Ho are working hard to form a political party.

The road ahead is arduous, Yeung says. He estimates that it will take a decade to get out of the straits. The seven and a half years before 1997 will not be easy. If the first term of government of the Special Administrative Zone (SAR) is produced according to the Basic Law as it is, the first few years after 1997 will not be easy either. For the first-term SAR government will definitely obey and be a puppet of the central government. Unless it is produced in a different way and more democratically, the first-term SAR government will face a legitimacy crisis. In spite of an arduous road, Hong Kong people must rely on themselves and strive for democracy and human rights. They must try their best to win more seats, whether 10 or 15 seats are directly elected in the 1991 Legco election. In the longer run, an opposition party or group with the support of society is needed all the more to balance the power in a conservative political system.

Ho reflects that the formation of a political party at this time may not arouse widespread social participation, but at least it shows that some people are willing to contribute. Even though public sentiment is weak, privately, people still support prodemocracy groups. They feel that such a political organization, though not ruling, will at least protect human rights.



### **Toward Politics of Political Parties?**

To Cheng the formation of a political party by prodemocracy groups is the right direction. To him other groups should follow suit, so that there is fair play, rather than providing a political "free lunch" by distributing the seats through the drafting of the Basic Law. He believes that many people will ask: What kind of political party is the Hong Kong Democratic Alliance? What is the division of labor between them and those who support the prodemocracy movement in China? And how to handle Sino-Hong Kong relations in the future?

Yeung says that the political program of the Hong Kong Democratic Alliance will be based on the Joint Sino-British Declaration, and will try to implement the principle of Hong Kong people governing Hong Kong with a high degree of autonomy. It will focus on Hong Kong affairs.

Ho adds that focusing on Hong Kong affairs does not mean limiting the scope to Hong Kong. Many Mainland China policies and measures affect Hong Kong, such as the Daya Bay nuclear plant, the quality of water supplied to Hong Kong by Guangdong Province, and so forth. If problems emerge in this respect, Hong Kong must, of course, react.

As for support for the prodemocracy movement in China, Ho says it is mainly the work of the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China. This is a different group than the Hong Kong Democratic Alliance. There is a clear division of labor between the two. He believes that the Hong Kong Alliance will continue at least until 1997 and will stick to its principle when there is a clear distinction between right and wrong. The existence of the Hong Kong Alliance has a symbolic meaning. It stands for the standpoint and faith of Hong Kong people on the situation in China.

How will Sino-Hong Kong relations look? Yeung sees both "dialogue and confrontation." Dialogue, because the locality is subordinate to the central government; and inevitable confrontation, because of the need to guarantee and protect a high degree of autonomy under the principle of "one country, two systems." To him, Hong Kong's road to democracy may be an extremely zigzag one, but faith in democracy must persist.

### **Analysis of Current Sino-British Contradictions**

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[Article by Lin Peishan (2651 3805 3790): "China Openly Airs Sino-British Contradictions in Order To Compel British Submission"]

[Text] China Openly Points Out Sino-British Contradictions

In mid-November members of the State Council's Hong Kong and Macao Affairs Office and the PRC Drafting

Committee attended the Macao Basic Law Conference in Guangzhou. Soon afterward they again met with members of the Hong Kong Basic Law consultative committee for group dialogue. This was the first time members of the State Council's Hong Kong and Macao Affairs Office and the PRC Drafting Committee had taken part in such a large-scale activity since the 4 June incident. Sensitive reporters realized that the Chinese officials would use this opportunity as an opportunity to explain China's policies toward Hong Kong and Great Britain. Thus, reporters came to Guangzhou in droves. In fact, the reporters' expectations came to pass. From the numerous exchanges reporters had with Deputy Director Li Hou [2621 0230] and Secretary General Lu P'ing [7627 1627] of the State Council Hong Kong and Macao Affairs Office as well as from the statements made by members of the PRC Drafting Committee one can clearly see that China's current policies toward Great Britain and Hong Kong have undergone revision. No longer are Hong Kong and Great Britain lumped together and criticized as one. Now the two are dealt with separately. As for Great Britain, China still feels that Great Britain is using the 4 June incident as a pretext to force China to change its communist system, to induce international forces to get involved in jointly running Hong Kong, and to weaken China's future sovereign authority over Hong Kong. In these relationships among nations, China is adopting an offensive stance toward Great Britain. As for Hong Kong, the Chinese officials are clearly aware of the serious confidence problems with the Hong Kong people, and for this reason they plan to nurture a warm climate and not attack the Hong Kong branch of the Federation of Trade Union or the Hong Kong Government. However, as far as special economic zone rights and issues of political development are concerned, the Chinese officials are not budging an inch and their stance is as firm as ever.

The terminology used in Guangzhou by the Chinese officials when they openly pointed to contradictions between China and Great Britain concerning the internationalization of Hong Kong and British residency rights was quite strict indeed.

I believe there are two reasons why the Chinese officials decided to raise this warning cry. First of all, Sino-British diplomatic relations have not yet been fully restored and Chinese officials have no other way to communicate with Great Britain.

Li Hou told reporters on this occasion in Guangzhou that China and Great Britain formerly had frequent secret diplomatic contacts through the state councils, the joint liaison groups, and the Hong Kong and Macao Affairs Office. But the current problems of diplomatic contacts not yet having been restored for officials below a certain level and the severing of communications were not things that the Chinese created.

Great Britain severed diplomatic contacts with China following the 4 June incident, ambassador-level dialogues were not restored until the end of July, and the

work of the joint liaison groups was not resumed until the end of September. However, in their meetings each side has merely reiterated its stance. The British have insisted that the Chinese take responsibility for instilling confidence in the Hong Kong people. The Chinese have insisted that the British not pull off any petty tricks in Hong Kong. Subsequent relations have not greatly improved and, as a result, the British have been unable to hold detailed advance discussions with the Chinese on the issues of Hong Kong's internationalization and the residency status of Hong Kong people. The Chinese officials believe that by publicly airing their criticisms they will force the British back to the diplomatic bargaining table and that secret detailed negotiations will come about through joint liaison groups or other diplomatic routes.

#### **The Chinese Want To Force the British To Admit Their Mistakes**

Another reason for the statements made in Guangzhou by the Chinese officials is that China wants to force the British to admit their mistakes. Not only does China want Great Britain to admit its mistakes in handling Hong Kong issues, but it also wants Great Britain to change its views on the 4 June incident.

According to the Chinese analysis, Great Britain has done many things to harm people's perceptions of China since the 4 June incident. Great Britain unilaterally cut off diplomatic contacts, and some British officials even created a fear of the Chinese Communists in the minds of Hong Kong people and drummed up the issues of confidence and popular will. Hong Kong people were permitted to create anticommunist organizations and engage in anticommunist activities. Other international forces were drawn in to stand next to Great Britain on Hong Kong issues. All of these things encroached on Chinese sovereignty.

The Chinese believe that Britain's scheme in the short term is to win back the points on Hong Kong's future they lost at the bargaining table—things such as representative government, checks on Chinese military presence in Hong Kong, and limitations on China's exercise of sovereign authority. China believes that Britain's long-range plot is to use the Hong Kong issue to gain international support, isolate socialist China, and force China to make domestic political reforms.

China has long known and regretted the fact that Great Britain would use the 4 June incident and the Hong Kong issue to carry out a continuous string of attacks against China both in Hong Kong and throughout the world. However, until now China has been unable to find a powerful enough excuse and an opportune moment to launch a counterattack. China's internal political environment has become more stable since the high-level shakeups approved by the 5th Plenary Session of the 13th CPC Central Committee in early October. Undoubtedly, the mid-November conference in Guangzhou fits well with the firm Chinese position on the

British stance. RENMIN RIBAO<sup>1</sup> has also gotten into the act. While the members of the Hong Kong and Macao Affairs Office were in Guangzhou it published two strongly worded articles criticizing Great Britain for its internationalization scheme.

In this current round of attacks the Chinese officials have chosen to focus on the internationalization issue, claiming that in principle this represents an encroachment on Chinese sovereignty and that numerous instances of British official activity can be gathered to substantiate the British plot.

Chinese officials have clearly indicated their stance concerning the internationalization of Hong Kong. Hong Kong is an international city and from an economic standpoint Hong Kong may engage in international trade and act as an international financial center. This is expressed in the joint communique. However, from a political standpoint, under no circumstances may Hong Kong become internationalized. If other nations were to butt in and meddle in Hong Kong's internal affairs, Chinese sovereignty would be damaged. Foreign nations may invest in Hong Kong from an economic standpoint, but they may not involve themselves in Hong Kong's politics.

For concrete examples one is referred to two articles published in RENMIN RIBAO on 18 November and 20 November. Both British Prime Minister Thatcher and Hong Kong Governor Wilson are included in the criticism. On 18 November RENMIN RIBAO reprinted an article from FAZHI RIBAO in which it was pointed out that the British have long been plotting the internationalization issue. As early as July and August Prime Minister Thatcher was raising the issue of Hong Kong at the economic summit in Paris and the EEC meeting in Madrid. And in October she asked the nations at the British Commonwealth conference to issue statements in support of Hong Kong. Hong Kong Governor Wilson was up to petty tricks when he visited the United States in October. He said that control of Hong Kong will not be passed to officials from Beijing on 31 June 1997, but rather Hong Kong will be run by Hong Kong residents. Thus, his words violate the joint communique.

#### **A Clause Prohibiting Internationalization Must Be Included**

A famous article in the 20 November issue of RENMIN RIBAO also criticized British politicians for continuously and openly asking foreign nations to get involved in the Hong Kong issue. Western nations like the United States have talked about "not being able to stand in the wings and watch" and "we must get involved in the Hong Kong issue." Sometime before the transfer of political power in 1997, the British would like to "inextricably bind foreign interests to Hong Kong" and "use this to limit Beijing's influence over Hong Kong."

Chinese officials are even proposing that consideration be given to inserting a clause into the Basic Law prohibiting internationalization of Hong Kong politics.

In a matter related to internationalization, the first opinion stated by Chinese officials was about Great Britain's granting British residency rights to a number of Hong Kong people. The Chinese officials have grave reservations about this and even proposed that this extension of British residency rights may not conform to portions of the joint communique.

The issue of winning British residency rights was the first one raised by Shi Weixian [2457 0251 6343], a member of Hong Kong's executive branch and a legislator, when the British foreign diplomatic commission visited Hong Kong in April. At that time the Chinese officials felt that this was not a matter that concerned China, but one that involved Great Britain and Hong Kong. Obviously, at that time the Chinese officials felt that this demand made by Shi Weixian and later by both the executive and legislative branches of the government would put Great Britain in an awkward position and fully expose the phony British face of morality and justice. Thus, by standing off to the side and making "sarcastic remarks" the Chinese obviously overlooked the seriousness of this issue.

Although Great Britain cannot look after 6 million Hong Kong people or the more than 3 million Hong Kong people who will be British immigrants, what is quite clear as of today is that Great Britain will confer "citizenship rights" upon 100,000 to 200,000 talented Hong Kong people. Great Britain has all along wanted to cultivate a pro-British force in Hong Kong but has had to suffer with China standing by and closely monitoring its activities. Now Great Britain has come up with 100,000 to 200,000 talented people, all of them government employees or from private business, who are directly involved in Hong Kong's political and economic decisionmaking. Also, as the political situation demands, Great Britain may in the future choose others with political sway and among them may be included so-called politically sensitive persons like policemen, legislators, reporters, and others who will have direct political influence after 1997.

Chinese officials have only recently awakened to the fact that these political and economic leaders may have "conflicting loyalties" if they hold foreign passports. If, in the future, a large proportion of the persons in the special zone government are "overseas residents" of Great Britain or other countries, then the passport-issuing countries will be in a position to participate actively in running Hong Kong through their newly adopted citizens. The result will be that Great Britain or the international community will extend its control over Hong Kong.

China is looking at this issue in conjunction with the list of proportions compiled by the executive and legislative branches in accordance with the Basic Law. Among the proposals are ones that will permit future members of the executive council, the chief justices of the appeals court and the supreme court, the comptroller, and government watchdogs to be appointed from among those

Hong Kong residents who are not Chinese citizens. It is also proposed that the legislature be expanded, the executive council be given greater power, and limitations be placed on the power of the chief executive.

#### **Great Britain Considers Revision of Its Nationalization Laws**

The Chinese feel that with unbounded powers given to the leaders of the legislature, the executive council, the judicature, and the organs that control the purse strings, these positions, as well as the few department-level civil servant positions, could all be filled by foreigners. If this were to happen what would it mean to speak of Hong Kong people running Hong Kong? It would be more like an international government running Hong Kong. The Chinese have only now realized the crisis they face and are putting their foot down on the issue of British residency rights. They really have no reason to support this position and can only point out the British memorandum in the joint communique. The British memorandum says that after 1 July 1997 those Hong Kong persons who once held British residency permits but who no longer do so will henceforth not be granted the right to reside in Great Britain. The Chinese feel that this is in conformity with the Chinese memorandum, which states that all Hong Kong people of Chinese ancestry are Chinese citizens regardless of whether or not they hold a British passport. This is designed to prevent the composition of Hong Kong's government from being made up of a large number of foreign citizens.

In raising the joint communique, the Chinese, though they have no hope of keeping Great Britain from announcing the British residency plan, at least hope to force the British to discuss the plan at the joint group liaison conference in early December. However, it appears the Chinese will not succeed here in curtailing British actions. Early on the British had hoped to use administrative means such as using its nationalization laws to give its high-ranking ministers discretion to approve the residency rights on some Hong Kong people's passports. It is possible that this practice conflicts with the memorandum of the joint communique. (This is debatable, however, because memoranda do not have the same binding power as formal agreements. Here, the memorandum merely represents the unilateral views of the British, and the work of issuing residency stamps in the passports will already have been completed before 1997.) There will be technical problems in stamping hundreds of thousands of passports, such as that of the British Consulate protecting all of these people after 1997 and the problem of their loyalty. Thus, Great Britain is now considering revision of its nationalization laws whereby a portion of the Hong Kong people would be given British "citizenship rights" and would become British citizens. They would not merely be given a residency or entrance permit.

The Chinese can deal with this contingency by demanding that the Basic Law limit the positions that may be held by non-Chinese citizens. Of course, the



Chinese cannot give ground on the proposals of the executive and legislature concerning the leaders of the executive council and the appeals and supreme courts. The Chinese should even consider pressing for greater limitations on the legislature, such as a requirement that a certain percentage of the legislature be Chinese citizens. However, because the joint communique requires only that department-level officials and top executive officials be Chinese citizens, an attempt by the Chinese to broaden the net of Chinese citizen posts could very well run afoul of the spirit of the joint communique. This defeat on the part of the Chinese came about because they did not "raise their voices," and there is still time to win it back.

#### **The British Response to China Is Vague**

The Chinese have adopted a hardline position against Great Britain, and the British response has been vague and obscured. Although the British insist that they still may take the Hong Kong issue out into an international forum for discussion, and that the issue of British residency rights is a purely British matter, their tone has been extremely mild in making these assertions, and they have also called for China and Great Britain to sit down together and carry out cool-headed and constructive dialogue. I believe this is the result of a reshuffling of the British cabinet. Britain's foreign minister and a follower of Prime Minister Thatcher's hardline stance in foreign diplomacy was transferred to the post of treasury minister. The replacement of the foreign ministry hopes to divorce British foreign policy from Thatcher's influence. Because his style is one of diplomatic, the new foreign minister will not merely adopt a hardline posture. However, Great Britain has not responded in a hardline fashion. This does not mean Great Britain is willing to submit to Chinese demands. The struggle between China and Great Britain is continuing to go on round after round.

China and Great Britain continue to do battle. But China's stance on Hong Kong has been revised. In Guangzhou the Chinese officials hoped to make it clear that China-Hong Kong relations are now much better and normalization is not far off.

In recent months, Chinese officials have informed us through RENMIN RIBAO, through domestic conferences, or through statements made by Chinese leaders to Hong Kong delegations visiting Beijing that if Hong Kong becomes a base for anticommunist activity, it will spell trouble for the Hong Kong branch of the Federation of Trade Union. However, the Chinese officials in Guangzhou avoided directly criticizing the Hong Kong people and their activities, and not only did they not say anything one way or the other about the Hong Kong branch of the Federation of Trade Union and the democracy forces, but they refrained from doing so even when pressed by reporters.

To better illustrate this point, the Hong Kong and Macao Affairs Office had harsh words for the disturbance

created by two English-language articles. Both articles provoked a response from the Hong Kong and Macao Affairs Office to the effect that the contention of the Hong Kong governor that the reins will not be passed to Beijing but will remain in the hands of the Hong Kong people is a violation of the joint communique. An article in RENMIN RIBAO had similar criticism, which shows that this is how the hardliners in the Chinese government feel. However, the officials of the Hong Kong and Macao Affairs Office took a fairly moderate stance on the China-Hong Kong issue. The Hong Kong and Macao Affairs Office would like to improve China-Hong Kong relations. By specifically criticizing the Hong Kong governor, they could very well hurt the confidence of the Hong Kong people.

Lu Ping had already told reporters before the matter became deadlocked that they hoped China-Hong Kong relations would improve. But when reporters subtly press an issue it easily becomes magnified. Certain things, he said, should not, after a haphazard analysis, be termed violations of the joint communique. Certain opinions may not fit in with the joint communique because the speaker did not participate in the negotiations and does not understand the situation. He suggested that people try to create a better climate so that China-Hong Kong relations may improve.

#### **Two Clarifications From the Hong Kong and Macao Affairs Office**

So that the news is not "distorted," the Hong Kong and Macao Affairs Office twice clarified its statements in Guangzhou. The first clarification concerned what Li Hou said about requiring a certain percentage of the legislators to be Chinese citizens. The other concerned the incident involving the Hong Kong governor.

The spokesman for the Hong Kong and Macao Affairs Office clarified the views of the incident involving the two English-language articles. He said that China hopes to improve its relations with Hong Kong and the reporters should understand the political situation.

After the incident concerning the two English-language articles, Li Hou made a statement to clear things up wherein he said that relations between China and Hong Kong should return gradually to where they were before the 4 June incident, and that we are now in the period following the storm.

Xu Jiatao talked about China's relations with Hong Kong in mid-November, and the 5th Plenary Session of the 13th CPC Central Committee studied the same. The policy direction is that things that can be opened up should be opened up. Also, cooperation should be strengthened and developed, and Hong Kong should do more to contribute to China's four modernizations. The Hong Kong and Macao Affairs Office carried out this precise policy.

However, improving relations with Hong Kong does not mean China should relax its grip. In formulating the

Basic Law, China still wanted to tighten up measures concerning developments of the political system and powers of the special zone, and prevent Hong Kong from turning into a force that would subvert the central authorities' base. China has still not retreated from this stance and has indicated that it will not do so (because this is [Deng] Xiaoping's order).

At the conference in Guangzhou, Hong Kong Basic Law consultative members stressed to members of the PRC Drafting Committee that Hong Kong people were worried that a clause would be inserted into the Basic Law whereby Hong Kong would be prevented from subverting the central authorities' base. However, the PRC Drafting Committee members emphasized that in principle no changes would be made. At the most, changes in the original wording would be made. Li Hou said that foreign forces are now using Hong Kong to meddle in Chinese affairs and this represents a very real danger to China. He reiterated the words of Deng Xiaoping to the effect that China will not permit Hong Kong to use the facade of "freedom and democracy" to subvert the central government of China and the socialist system.

#### **China Tightens Up on the Basic Law**

The Chinese officials without exception indicated that they would not be receptive to proposals that the power to promulgate the emergency act should reside with the senior official of the special zone and that members of the Basic Law committee should have the power to interpret the Basic Law. Lu Ping said that these proposals are nothing new in that they had already been hashed over for the past four years. This goes to show the attitude of the Chinese and their refusal to give ground on issues that have already been raised and resolved.

The Chinese are not against revisions of the Basic Law, but they are not going to give up ground that they have already won. Rather, they seek to tighten their grip even more. Powers over the central government's special zone that have already been reserved for the central government are not going to be delegated. In fact, they would hope to introduce some new clauses that will give them more authority through ambiguous phrasing and will allow the Standing Committee of the National People's Congress to interpret the Basic Law in a way that will allow for interference in Hong Kong affairs. This would include, among others, clauses prohibiting Hong Kong from subverting the base of the central government and prohibiting Hong Kong politics from becoming an international affair.

Even greater revisions concern development of the political system, a bilateral watchdog plan for developing what is useful and discarding what is not, and switching to a more conservative bicameral system.

The Chinese have not made a final statement on whether they will accept a bicameral system. However, they have put forth certain bottom-line principles for the political system. These include requirements that the first 10 to 15 years after 1997 must be a period of stability and

functioning bodies must occupy a central position, that certain proposals must be put to a vote before subcommittees, and that the time to adopt a total plebiscite must remain flexible and must be determined on the basis of the situation that exists.

The Chinese contend that their goal in formulating these bottom-line requirements is to balance the interests of the various levels and to prevent any one party from swallowing up the others. In fact, if the industry and commerce party grows exceedingly large or if the pro-Chinese party grows exceedingly large, the Chinese will clap their hands in joy. What the Chinese want to prevent is the growth of the democracy party or the grassroots party. By controlling the composition of the legislature, the Chinese can control their ability to meddle in Hong Kong. To achieve this goal they must limit the effect of the directly elected legislator's vote and allow a minority of persons from labor and commerce circles to negate the majority decisions of the legislature.

#### **Hong Kong Persons Who Love Hong Kong Must Get Used to the New Order**

The Chinese clearly do not intend to turn the whole political system upside down. On the one hand, they make a big show of listening to the opinions of the Hong Kong people, and, on the other hand, they go out of their way to criticize the common understanding of both branches of the government as well as the 4-4-2-person plan. China has suggested that the future political system will be a compromise between the overall bicameral system plan and parts of the 89-person plan. As for acceptance of the decision made directly last year with Great Britain—namely, that the first legislative body after 1997 will be composed of legislators sitting in 1995—China suggested that it would depend on how well Hong Kong has adhered to the Basic Law. If Hong Kong fails, China will abandon this direct decision and go with a double interim period—namely, in the interim period prior to 1997 Great Britain will rule Hong Kong and in the interim period following 1997 China will create whatever political system it wishes for Hong Kong.

If we want to fully understand China's desire to improve relations, but at the same time install even stricter policies for Hong Kong, then the following example will be of some help.

Li Hou told reporters, "The 4 June incident has no direct bearing on Hong Kong. But to this day the Hong Kong papers continue to castigate us. Of course, some will say that Hong Kong has freedom of speech and whatever is within legal bounds is fine. But, this matter is not one where one should engage in idle talk or rest content in merely staying within Hong Kong's laws. This is like a family matter. If family relations are bad do you say that laws are being broken? So what if criminal or civil laws are not being broken; this does not help out the family one bit. We must learn to live in harmony. Our domestic newspapers do not castigate Hong Kong. They merely

state a few of their views when the situation demands it. And these instances are rare."

Such statement by Li Hou is completely at odds with Deng Xiaoping's statement that the Hong Kong people can go ahead and criticize the Communist Party because the party will not fall under criticism. Li Hou enlightened the Hong Kong people to the fact that, although Hong Kong has its own laws, Hong Kong and China were members of the same family, and that within the family there are "family laws." People should address their concerns to Li Hou as to whether this encroaches upon the freedom of speech enjoyed by the Hong Kong people.

Like the incident involving the question of whether to turn back or accept the illegal immigrants following the Yang Yang [2799 3152] incident in October, in seeking to preserve the confidence of the Hong Kong people the Chinese are now less likely to use Hong Kong as a battleground for public opinion. Now at least the Hong Kong people do not have to be shocked every day with new news. However, with the Chinese tightening up on their Hong Kong policies and creating a political system and freedoms that will make Hong Kong people look like birds in a cage, those who love Hong Kong life and either are willing to remain in Hong Kong or else have no other choice are going to have to learn to adapt to the "new order."

#### **Image Seen Hurt by Repatriation of Boat People**

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[Article by Yu Jiwen (0151 7162 2429): "Hong Kong Will Have To Pay for the Forcible Repatriation of Boat People"]

[Text] Forcible repatriation of boat people became a precedent when the Hong Kong Government sent 51 unwilling Vietnamese boat people back to Hanoi on 12 December. Strong reaction followed. For some days, boat people in detention centers in Hong Kong waged rallies and protested that forcible repatriation equated to murder. Reaction from the West is marked by both condemnation and regret. International opinion is all condemnation and criticism. There are reports in the press that some U.S. congressmen plan to take legal proceedings against Hong Kong on human rights and to boycott Hong Kong goods and Cathay Pacific Airlines, which provided chartered flights to return the boat people to Hanoi. In Britain the opposition party and some newspapers also harshly attack forcible repatriation, while the Tory government tries its best to defend itself.

Facing widespread international reproach, the Hong Kong Government finds itself on the defensive and claims that there is no alternative to repatriating the boat people. Public opinion in Hong Kong tends to support the government. Some even find international reproach unfair to Hong Kong and feel that nations in the West

are hypocritical for preaching humanitarianism while not taking more refugees. They also assert that this incident does not hurt Hong Kong's image. However, since forcible repatriation has taken place and is widely criticized, we only cheat ourselves when we argue that our image is not affected.

#### **Forcible Execution Without Supervision**

In the predawn incident on 12 December, the Hong Kong Government sent a large staff to swoop down on 51 boat people (8 men, 17 women, 26 children) and escort them onto police vehicles that drove to the airport, and then to load them onto a chartered flight. The airplane took off before dawn. Security aboard was extremely tight. Each adult was under surveillance by two staff members and each child by one so as to prevent any unexpected happening. The Hong Kong Government calls this action mandatory repatriation and stresses that no armed force was exercised, and, therefore, although it was "involuntary," it was an "orderly repatriation." It prefers not to use the term forcible repatriation, as the international community cannot accept it. Even the Hanoi government threatens that it does not accept forcible repatriation and that if the returnees are discontent with the form of repatriation, Britain must send them back to Hong Kong.

This action is forcible repatriation in fact, though not in name. While it could not escape the attention of reporters who had been watching for a long time, it was a secret operation in nature. The Hong Kong Government blocked out news on it and afterward instructed its officials at all levels to keep their mouths tight about it. It also argues that the late-night action was to avoid inciting the feelings of the boat people and to avoid overburdening the airport during the day. Outsiders think otherwise. They feel it was being secretive.

A greater concern of the international community is that it still has reservations about Hong Kong Government policies, even if it agrees to returning the boat people to their native place. 1) Vietnamese boat people are to be screened so as to distinguish between refugees and non-refugees. But is the present screening mechanism perfect? 2) Should involuntary and forcible repatriation be applied to nonrefugees? 3) How to guarantee that returned boat people are not ill-treated and penalized in Vietnam? Should they be sent back in the absence of supervision by an international organization?

These questions are evidently of great concern because Vietnam is a communist country and the boat people fled in great danger. Britain declares that Hanoi has promised not to penalize the returnees, but international response reminds us that Vietnam is a follower of Stalinism. In the absence of support for and participation in the forcible repatriation program from the United Nations High Commissioner for Refugees (UNHCR), Britain had earlier looked for another international organization to supervise the work. Meanwhile, the international refugee organization whose headquarters



are in Geneva denied responsibility for the supervision. In the end, Britain's ambassador to Vietnam and a two-man delegation from the House of Commons are responsible for supervision of the situation of repatriated boat people. Aside from the absence of international supervision, it seems that this action had been planned to be a fait accompli before an international conference on the refugee problem took place in January 1990.

#### **Relation to Hong Kong People's Fate**

Another point of contention is how the fate of Vietnamese boat people relates to the future of Hong Kong people. As the slogan of the boat people detained in Hong Kong says: "Today Vietnam, 1997 Hong Kong." From this perspective, Hong Kong may have to pay for repatriating the boat people, and the impact is twofold.

First, Hong Kong forcibly repatriated the boat people at the same time that Britain was considering the number of Hong Kong people to be offered the right of residency in Britain. To some, this "coincidence" in timing is extremely unfavorable to Hong Kong people's fight for the right of residency, for if Britain can give up the boat people, it can also give up Hong Kong people. Hong Kong's repatriation of Vietnamese boat people may also show the British public that, since Hong Kong does not take Vietnamese boat people who fled communist rule, why should Britain help large numbers of Hong Kong people flee communism. The forcible repatriation can probably nurture an unsympathetic public view, and London can announce a right of residency package for a much smaller number of Hong Kong people.

Second, since Hong Kong people cannot rely on the "generosity" of Britain on the right of abode, it needs even more international sympathy, support, and protection. The forcible repatriation is enough to dampen international sympathy for Hong Kong and hurt its image. However, press coverage shows that few Hong Kong people care about Hong Kong's international image. On the contrary, foreign public opinion is incisive on this issue. For example, an editorial of the WALL STREET JOURNAL of New York asserts that the 6 million Hong Kong people are not sure themselves if they will become boat people in 1997. It quotes the boat people who protested against forcible repatriation—"Our today is your tomorrow"—and predicts this line may apply to Hong Kong some day.

#### **Why Is Hong Kong Victimized?**

Actually, from any angle Hong Kong's involvement in Britain's Vietnamese refugees policy will result in its sharing Britain's responsibility and very likely victimization. Take the repatriation of Vietnamese boat people as an example. To repatriate each Vietnamese costs about

\$1,000, of which \$620 is given to the Vietnamese Government for an "aid program for reentry to society." The costs of "mandatory repatriation" are equally shared by Hong Kong and Britain.

Hong Kong's involvement in the policy on Vietnamese refugees began only two years ago. Before, both Britain and Hong Kong had all along emphasized the Vietnam issue as an "international issue" that should be handled by Britain. Then, when Legco [Legislative Council] councillors questioned Hong Kong's policy of being a port of first asylum, the Hong Kong Government made use of the opportunity by announcing the implementation of the "screening policy" to distinguish between refugees and nonrefugees and the repatriation of the latter. The idea of forcible repatriation may have been conceived when the screening policy was announced, but was raised openly in early 1989 in the hope that a preliminary model would come up at an international preparatory meeting on refugees in Kuala Lumpur. However, it failed to win support from all parties.

The pressure that made Britain consider and then implement forcible repatriation came mainly from Beijing. Beijing's attitude is that the issue of Vietnamese refugees must be resolved before 1997, and no related difficulty must be passed on to the future SAR [special administrative region] government. This time, the repatriation of 51 boat people won much acclamation from Chinese officials. If not for pressure from Beijing, Britain would perhaps not have been in a rush to repatriate the boat people and earn the infamy of being inhumanitarian, for the refugees are stuck in Hong Kong, and Britain takes only a very handful of them. However, pressure from Beijing and the ever-increasing influx of Vietnamese added to Britain's frustration. In early 1989, Hong Kong had 16,000 Vietnamese refugees and 11,000 boat people. By the end of the year, the total number had reached 56,000. In that year 34,000 Vietnamese arrived, but only some 600 returned voluntarily. This is also one of the factors influencing Britain to implement forcible repatriation. It is said that this may check the wave of boat people in the next sailing season.

Vietnamese refugees and boat people have no doubt brought many problems to Hong Kong, including tension in the administration of detention centers, fighting among the refugees, and conflict with local residents, and so forth. However, resolving the issue of Vietnamese refugees is, in the first place, Britain's business. Hong Kong should have drawn a line from Britain and not have gotten involved in it. Some Legco and Exco [Executive Council] councillors and political figures, who claim to represent public opinion, lobbied Britain to implement forcible repatriation. Whether their effort works in the interest of Hong Kong people or just the contrary deserves some thought. And those who ignore international opinion or even accuse outsiders of providing information and encouraging the boat people to adopt radical action sound like certain Beijing leaders and spokesmen on the 4 June incident.

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